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An analysis of the activities under Public Law 480 : the Food for Peace program

Charles Frederick Bateman

AN ANALYSIS OF THE ACTIVITIES UNDER PUBLIC LAW 480: THE FOOD FOR PEACE PROGRAM

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Charles Frederick Bateman

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This thesis is dedicated to my
wonderful wife Joan, without
whose diligent efforts and patience
I would have accomplished much less.

PREFACE AND ACKNOWLEDGEMENTS

It has been my purpose in this research to unveil a clear picture of the historical activities of our Food For Peace Program, commonly known as Public Law 480, with the hope of being able to establish a basis for future understanding. I have examined certain problems arising in both normal and abnormal situations in the activities under Public Law 480, and have presented views as to how they might be corrected or avoided.

My knowledge of the extremely complex subject material has been aided by those with whom I talked during the paper's preparation, and it is with deep appreciation that I recognize the invaluable time and interest given to me by the following persons: Mr. Frank D. Barlow, Dr. Horace J. Davis, The Honorable Paul Findley, Miss Susan A. Libbin, Mr. William McCahon, Mr. Charles McClean, Mr. J. H. Pott, and Mr. Thomas Street.

Special thanks goes to my father, Hilton D. Bateman, whose ever-present counsel and assistance I shall always remember, and whose many accomplishments I shall always emulate; and to my mother, Rebecca Bateman, whose many words of praise have always brought inspiration to me.

I would like to thank my wife's parents, Dorothy and Frank Faulhaber, whose keen sense of values and strong backing kept the road ahead clear..

It is difficult to record in words the valued judgment and encouragement of a truly great teacher, who is an understanding advisor and warm friend to all of his students----

Professor Spencer D. Albright, Jr.

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INTRODUCTION

Nearly two centuries ago a noted British economist, T. R. Malthus predicted "that population was likely to rise far faster than the productive power associated with more people."[1] He argued that the world's land could not possibly increase its food output at the geometric increase of population, and that unless population growth was checked by normal restraint, or by such disasters as war or disease, it would ultimately be checked by recurrent famine as the population outran the food supply.[2]

Malthus' gloomy speculation has been realized in today's space-age world. It is difficult, of course, for North Americans to understand the plight of people in underdeveloped countries, because we have never been desperately hungry. No one dies here of starvation. "Elsewhere, however, more than one and a half billion people go to bed hungry every night."[3]

Being forced to live on an inadequate diet makes a person a social liability. Since he cannot think beyond his most immediate need, which is his next meal, he cannot work effectively; he cannot study and learn as he must in order to improve his condition; he cannot build up resistance to disease; he holds back not only the

[1]George Leland Bach, Economics. An Introduction to Analysis and Policy (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1963), p. 167.

[2]Ibid., p. 168.

[3]The Royal Bank of Canada Monthly Letter (The Royal Bank of Canada, Vo. 45, No. 6. Montreal, Canada, 1964), p. 1.

economic and social development of his own country, but also of the world.[4] There are millions of people in the world whose only aim is to keep alive.

The West believes that in its own interest it must do something about the problem of poverty and hunger. "If other freedoms are to be cultivated, it is first necessary to create freedom from want."[5]

The best answer to the world's agricultural problem is the development of food production where it is needed. However, in many countries the implements available to farmers have not changed in centuries.

Besides this, industrialization is needed. "No country has made substantial economic progress until about half of the working population has been shifted from agriculture to industry."[6]

Before these problems can be solved, the people must be freed from hunger. When this obstacle is removed, the people can turn their attention to such things as industrialization.

A sharp contrast is found in the share of the population engaged in agriculture in areas throughout the world. In the West, only about 110 million people are associated with agriculture; in the Soviet area, about 615 million; in the less-developed area, about one billion.[7] Yet the people of the less-developed area are

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[4]Ibid.

[5]Ibid., p. 2.

[6]Ibid., p. 3.

[7]Food and Agriculture Organization of the United Nations, Production Yearbook, 1959 (Rome: Food and Agriculture Organization, 1960), p. 16.

starving, while the people of the West have more than they can eat.

Dealing with the problem of hunger brings into the picture many varied implications. To realize and deal with them successfully, one must not only be a seasoned diplomat, but an economist, a psychologist, a political scientist, and a sociologist.

It is becoming evident, also, that the problem can no longer be left to be dealt with by a single nation, but must be undertaken through international coöperation.[8]

The minds of the starving people must be read into in dealing with the hunger problem, and their feelings must be considered heavily. Of democracy or communism they know little, but of hunger they know much.[9]

Prince Philip, in an address to Canadian engineers and scientists, stated succinctly a situation of which all students of international affairs are aware, when he said, "It is recognized that an explosive situation will inevitably develop if the gap between the 'have' nations and the 'have-not' nations grows too big."[10]

Our production in American agriculture, not only in the abundance itself but also in technical principles, has become so efficient that it enables us to make a tremendous contribution to the world.[11]

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[8] The Royal Bank of Canada Monthly Letter, *op. cit.*, p. 4.

[9] *Ibid.*, p. 3.

[10] *Ibid.*

[11] Helen Henley, "When the Hungry are Fed," *The Christian Science Monitor*, July 8, 1964, p. 9.

There are many ways in which the United States operates to share her abundance with less fortunate nations. First of all is the area of promoting trade in agricultural products abroad. We have agricultural attachés in all parts of the world working to promote trade. We are closely involved in negotiations with GATT (General Agreement on Tariffs and Trade), and with the problems of the European Economic Community (Common Market). The basic principle followed in our efforts to promote trade is the expansion of agricultural products throughout the world.[12]

Second is the area of our relations with many food and agricultural organizations in the United Nations. For instance, the Department of Agriculture and the Department of State work together in conducting relations with FAO (Food and Agricultural Organization) which seeks to help alleviate the most pressing hunger problems by directing food distribution and economic development.

Through AID (Agency for International Development) the United States contributes much technical assistance to underdeveloped countries.

Finally, one of the most important programs of its kind has been recently established, and is called the Food for Peace Program. Public Law 480, the principal instrument of the program was passed in 1954. It was originally thought of as a surplus-disposal program, but has become significant in the area of economic development. As such, it is not now regarded as solely a surplus-disposal program, but as an opportunity to use our abundance for purposes which at one and the same contribute to long-term interests abroad

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[12] *Ibid.*

for the United States while forwarding also the interests of other countries.

For example, under the school-lunch program, we are now providing school lunches to 35 million children (mostly in Latin America). Evidence shows that in certain places school attendance doubles and triples because of this program. Lunch is the only meal some of these children get.[13] The food has a tremendous effect. With proper nutrition, the children become better students than before.

Food sent abroad under the Food For Peace Program has very good results, even from a wholly selfish point of view. This type of thing was done for Japan just after the war. The Japanese never used to eat bread. Now Japan is our best commercial customer for wheat. New eating habits were developed, and Japanese children now like bread. The nation is prosperous enough now to buy our wheat, and so has become a good customer for something we need to sell.

"U. S. foreign policies of the past decade have had the twofold objective of helping the less developed countries improve their economic well-being and of laying the basis for expanding our world trade in agricultural products."[14]

"Primarily agricultural, the less developed countries are historically related to the industrialized West by trade ties, common traditions, and attachment to free institutions, including freedom of religion."[15] The outcome of the cold war will determine whether

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[13] Ibid.

[14] United States Congress, Subcommittee on Economic Policy of the Joint Economic Committee, Food and People, (Washington: Government Printing Office, 1961), p. 37.

[15] Ibid., p. 5.

these countries, many of which have not achieved stable nationhood, are to retain their historic ties with the West, or whether they are to be drawn into the Communist system. What happens in this large area, embracing about half the population of the earth, can determine the ultimate position of the West.

Therefore, account must be taken of the sharp contrast between the surpluses of the West and the shortages, particularly of food, that prevail in the communist countries.[16]

Under these circumstances, considering the impact of food programs, in either the area of trade or donation, continuance of our economic assistance is imperative.

The Food For Peace Program, with its unique features, is said to be able to provide a panacea without hindering normal diplomatic and economic relations among countries.

It is with this program and its effects that this paper deals.

[16] *Ibid.*

PART I.—ABOUT THE PROGRAM

The Agricultural Trade Development and Assistance Act of 1954, known as Public Law 480, was instituted "to increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes."[17]

The Law is divided into sections, called titles, each serving the law's overall purpose in a unique way.

Title I, Public Law 480, provides for the sale of U. S. agricultural commodities to friendly countries with payment to be received in local currency of the recipient country. Title II authorizes grants of Commodity Credit Corporation stocks of farm products for famine relief and other assistance, including economic development. Under Title III, CCC-owned commodities are authorized for domestic and foreign donation programs and for barter for an equal value of strategic or other materials. Title IV, which was made a part of the program in 1959, provides for long-term sales of agricultural commodities on a long-term dollar credit basis.[18]

Originally devised as a measure for constructive disposal of our farm surpluses, Public Law 480 has become an important instrument in support of our trade and foreign policy goals. By assuring

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[17] United States Congress, House of Representatives, Committee on Agriculture, Food For Peace, Nineteenth Semiannual Report on Public Law 480 (Washington: Government Printing Office, 1964), p. 7.

[18] Ibid., p. 9.

enlarged outlets for U. S. farm products, it has added directly to U. S. farm incomes and reduced carrying charges on Government-owned stocks. At the same time, Public Law 480 has enabled the United States to meet urgent food requirements of less developed countries and promote their economic growth. Thus, it can be said that the program's emphasis has shifted in its ten years from one of surplus disposal to one of fulfilling a need and establishing potential markets.[19]

From a modest beginning, the program has grown until by the end of the 1964 fiscal year, more than $12 billion in commodities had been exported, with large quantities still to be moved under present commitments. That is about 27 percent of the nearly $45 billion worth of all U. S. agricultural commodities exported during this period.

Whereas only a few ships per month were required during the early days of the program, today an average of five 10,000-ton ships leave American ports every day carrying Food for Peace cargoes.[20]

Title I has accounted for the major part of overall Public Law 480 program activities to date. As was stated before, this title authorizes sale of surplus farm commodities to countries which cannot pay in hard currency at this time but are willing to pay in their own currencies. The U. S. government pays cash to the American businessmen who make the sales, and the recipient

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[19]Statement by Mr. William McCahon, Deputy Director, Food For Peace, personal interview, Washington, D. C., September 10, 1964.

[20]Statement by Mr. Hilton D. Bateman, Chief, Reports and Analysis Branch, Programs Operation Division, Foreign Agricultural Service, United States Department of Agriculture, personal interview, Washington, D. C., September 10, 1964.

government deposits its currency to the credit of the United States government.[21]

It was not until specific provisions were inserted into the Mutual Security Act of 1951, as Amended (under Section 550, in 1954), that a fixed portion of the appropriated economic aid funds was earmarked to buy surplus agricultural products which could be sold abroad for foreign currencies.

The Act specifically provides for the foreign currencies accruing from the sale of agricultural commodities to be used in the following ways: (1) Help develop new export markets for U. S. agricultural commodities "on a mutually benefiting basis";[22] (2) procure military equipment and services for the common defense of the United States and the respective country; (3) finance the purchase of goods for friendly nations; (4) promote balanced growth by making loans and grants available to the recipient country; (5) pay U. S. obligations abroad; and (6) help finance international educational exchange programs and other programs "relating to learned activities."[23]

Under the suthority of Title I, 373 agreements with 47 countries were completed from July 1, 1954 through December 31, 1963. The uses of foreign currencies as provided in Title I were divided in the following ways during that period:

(1) Common Defense.............................. 7.4%

(2) grants for economic development.............18.3%

[21] Statement by Mr. William McCahon, <u>op, cit</u>.

[22] Frank D. Barlow, Jr., and Susan A. Libbin, "Contribution of Public Law 480 to International Aid and Development," (Reprinted from <u>Foreign Agricultural Trade of the United States</u>, February, 1963) United States Department of Agriculture (Washington: Government Printing Office, 1963), p. 7.

[23] <u>Ibid</u>.

(3) loans to private enterprise.................. 6.0%

(4) loans to foreign governments.................45.1%

(5) other U. S. uses*............................23.2% [24]
100.0%

*Includes such things as financing of U. S. embassies, financing of U. S. Information Agency Programs, financing of trade fair activities, etc.,.

"The Treasury Department establishes and administers regulations concerning the custody, deposit, and sale of the currencies."[25]

In the category "common defense," the currency was used for such purposes as maintaining "advisors" in Vietnam in military capacities, and in other countries as well, From July 1, 1963 through December 31, 1963, $6,858,000 of the currency provided for in Title I was allocated for "common defense in Vietnam."[26] Interestingly, during the six months stated above, 16.7% of the Title I, currency was used for "common defense," (in all countries) as compared with an average of 7.4% over the period from July 1, 1954 through December 31, 1963. None of the other uses changed in percentage as significantly.

In the calendar year 1963, $519 million of local currency was used in the following ways:

(1) Common defense......................$ 66 million

(2) Grants to foreign governments........$ 43 million

(3) Private enterprise loans.............$ 40 million

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[24] Food For Peace, Nineteenth Semiannual Report on Public Law 480, op. cit., p. 102.

[25] Ibid., p. 21.

[26] Ibid., p. 100.

(4) Loans to foreign governments..........$ 234 million

(5) Other U. S. uses......................$ 136 million

$ 519 million[27]

The varied ramifications and effects of the uses of these currencies throughout the world will be disucssed later in the paper.

Title II of Public Law 480 provides that surplus agricultural commodities in Commodity Credit Corporation's stocks may be used for famine relief and other assistance. Emergency assistance may be furnished to friendly people to meet urgent or extraordinary relief requirements and to friendly but needy peoples without regard to the friendliness of their governments. In May 1960 Congress broadened the authority of Title II (in Section 202) by authorizing grants of commodities to promote economic development (as amended in 1963 to include community development as well) in underdeveloped areas in addition to that which can be accomplished under Title I. However, reasonable precautions are taken to assure that programs will not interfere with sales that might otherwise be made, including sales under Titles I and IV.[28]

The Agency for International Development is responsible for administering the Title II program.[29] Foreign policy guidance, in connection with the effects of the program rests with the Secretary of State.[30] These programs are often undertaken in

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[27] Ibid., p. 21.

[28] Statement by Mr. William McCahon, op. cit.

[29] United States Congress, Food For Peace, Nineteenth Semiannual Report on Public Law 480, op. cit., p. 61.

[30] Statement by Mr. Hilton D. Bateman, op. cit.

cooperation with voluntary agencies including, among others, CARE, Church World Service, Seventh-Day Adventist, and the World Relief Commission.

Most school feeding programs are administered under Title III. However, school lunch programs under Title II have proved very successful in Italy and Japan. Similar programs have recently been initiated under Title II in Brazil, Peru, and Tunisia.[31] The importance of the school lunch programs is immeasurable. Today 12 million school children in Latin America are receiving a glass of milk each day under Title II.[32]

Commodities supplied for disaster relief or for assistance in other extraordinary circumstances must be used, either directly or indirectly, to help needy people affected by the emergency. When possible, the United States requires that commodities be distributed free, or for part payment of wages in work-relief projects. Arrangements are often made for the sale of the commodities in the recipient country in order to raise local currency for relief purposes.[33]

During the past 10 years, exports under Title II accounted for nine percent of all Public Law 480 shipments. Through Decemer 31, 1963, $1.6 billion had been obligated, mostly for the shipment of grain.[34]

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[31]Frank D. Barlow, Jr., and Susan A. Libbin, op. cit., p. 14.

[32]Statement by Mr. Frank D. Barlow, Jr., Chief, Export Programs Research Branch, Development and Trade Analysis Division, Economic Research Service, United States Department of Agriculture, personal interview, Washington, D. C., September 10, 1964.

[33]United States Department of Agriculture, Report on Title II, Public Law 480, March 2, 1964 (Washington: Government Printing Office, 1964), p. 1.

[34]United States Department of Agriculture, Report on Public Law 480, April 15, 1964 (Washington: Government Printing Office, 1964), p. 2.

Title II funds are used to pay ocean transportation costs from U. S. ports on commodities transferred under Title II or donated under Title III.[35]

On every container of food or fiber shipped under Titles II or III there appears next to the label of the contents the following: "Donated by the people of the United States of America," printed in the language of the recipient peoples. There is no question about the source of the commodities, except, of course, in countries where there is a high percentage of illiteracy. In these cases, attempts are made as often as possible to tell the people the origin of their commodities.

There is a definite trend on the part of the United States when setting up Title II or Title III programs, to give donations in connection with public service projects. Projects such as building or improving roads, building schools, and building residences for school teachers have been set up in connection with our donations programs. These projects employ heads of households, who receive about 40% of their wages in food for their families.[36] Donations made in this way are a very effective part of our foreign policy, especially in regards to the uncommitted nations.[37]

There is much potential for expansion in the Title II area for the immediate future.[38]

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[35] Ibid.

[36] Statement by Mr. William McCahon, op. cit.

[37] Ibid.

[38] Ibid.

Title III authorizes two programs: section 302 "amended and broadened the authority contained in section 416 of the Agricultural Act of 1949"[39] for donations of surplus food for domestic distribution to eligible recipients, and for distribution to needy persons overseas through nonprofit American voluntary relief agencies and intergovernmental organizations; section 303 provides for the barter of CCC commodities for strategic and other materials, goods, and equipment.[40]

Section 302-Domestic and Foreign Donations--From July 1 through December 31, 1963 domestic donations totaled about 677.5 million pounds and were valued at $113.1 million. The beneficiaries of these surplus foods included about 17.8 million schoolchildren, 1.4 million needy persons in charitable institutions, and 5.3 million needy persons in family units in participating states, territories, and possessions.[41]

From July 1 through December 31, 1963 foreign donations through this program went to 133 countries and 716 million recipients, and were valued at $379 million. A total of 228 programs for this period were approved for 15 American voluntary relief agencies and 2 intergovernmental organizations.[42] "Foreign donations under Title III through the voluntary relief agencies have been the second most important Public Law 480 program."[43]

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[39] Food For Peace, Nineteenth Semiannual Report on Public Law 480, op. cit., p. 71.

[40] Ibid.

[41] Ibid.

[42] Ibid., p. 72.

[43] Frank D. Barlow, Jr., and Susan A. Libbin, op. cit.

Since 1950, with the exception of a short period during the Korean War, we have been regularly sharing our food abundance with millions of less fortunate abroad under our foreign donation program. Almost 19 billion pounds of food commodities valued at approximately $2.4 billion have been donated to 33 agencies operating in 135 countries and territories. Areas specifically excluded from participation are the Union of Soviet Socialist Republics and the areas dominated or controlled by the Communist regime in China.[44]

The agencies are responsible for determining need in the country and areas they operate and the eligibility of recipients they serve, and for effecting distribution without regard to nationality, race, color, religions or political belief. Actual distribution of commodities is usually carried out by local counterpart charitable or church organizations, or by host country government personnel.[45]

In addition to the label which certifies that the commodities came from the "people of the United States," on each container is printed,"Not to be Sold or Exchanged."[46]

Title III programs to countries whose government is relatively unfriendly have drawn much criticism. For instance, in fiscal 1963 we sent (under Title III) nearly 67 million pounds of commodities to Poland, and nearly 117 million pounds of commodities to Yugoslavia. Our efforts in both countries have "enabled both to be more in-

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[44]United States Department of Agriculture, Report on Title III, Section 416, Foreign Donation Program, June 5, 1964 (Washington: Government Printing Office, 1964), p. 1.

[45]Ibid., p. 2.

[46]Ibid.

dependent of Moscow."[47]

Many hold the same feeling as Algeria's Minister of Agriculture Amar Ouzegane, who said, "...Don't ever underestimate the political value of this aid."[48]

"Perhaps the most likely areas for expansion of quantities are the foreign donations programs. both in Title II and Title III. The availability for market development, and for political success in view of effects already seen verifies this."[49]

Section 303-Barter Program--The barter program is conducted by the Commodity Credit Corporation under several different legislative authorities. Among them are the following: The CCC Charter Act, the Agricultural Acts of 1949, 1954, and 1956, and Title III of Public Law 480, enacted in 1954.

The fundamental objective of the barter program is to increase exports of the U. S. agricultural commodities which are held in surplus of requirements.[50] This is accomplished by arranging for the exportation of such commodities in exchange for (1) strategic materials of which the United States is a net importer and which are less subject to deterioration or substantially less costly to store, and (2) goods and services required from abroad by other U. S. Government programs. Materials in the first category are

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[47]"From the People of the United States," Newsweek, LXI (June 17, 1963), p. 45.

[48]Ibid.

[49]Statement by Frank D. Barlow, Jr., op. cit.

[50]United States Department of Agriculture, Report on the Barter Program, Title III, Public Law 480, June 15, 1964 (Washington: Government Printing Office, 1964), p. 1.

placed in "stock-pile inventories"[51] for use in a national emergency, while those in the second category are delivered to the procuring government agency.

"To prevent barter exports from disrupting world agricultural prices or replacing cash sales for dollars, restrictions have been placed on the countries to which such exports may go based upon an assessment of each friendly country as a market or potential market for U. S. exports."[52]

In most cases barter transactions are for materials originating in underdeveloped countries and have the effect ofassisting the economies of such countries by providing a market not otherwise available for their natural resources. The interests of our own economic benefits are not neglected in Title III as they are not in the other titles. All materials imported by ocean carrier must move at least 50 percent in United States flag vessels.[53] Foreign produced ores and concentrates are often processed in the United States into a more readily useable form before stockpiling.

Through the transactions of the Title III barter program, we have received, in exchange for food and fiber, $151.5 million worth of "strategic stockpile materials,"[54] and there has been $16.5 million worth of "supply materials"[55] turned over to the Atomic Energy Commission since 1954.

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[51] Ibid.

[52] Ibid.

[53] Ibid., p. 2.

[54] Food For Peace, Nineteenth Semiannual Report on Public Law 480, op. cit., p. 77.

[55] Ibid.

The barter program is being utilized to the maximum extent possible by government agencies to stem the outflow of U. S. dollars abroad. Also, U. S. dollar contracts are being converted wherever possible to payment with agricultural commodities where other government agencies have agreements to purchase materials. "The use of U. S. surplus agricultural commodities in lien of U. S. dollars is a balance-of-payments advantage."[56]

> "Title IV of Public Law 480 provides for long term supply and dollar credit sales of U. S. surplus agricultural commodities. Major objectives of this title are to stimulate and increase the sale of U. S. surplus agricultural commodities for dollars through the extension of credit which will assist in maximizing U. S. dollar exports of such commodities, develop foreign markets for U. S. agricultural commodities and assist in the development of the economies of friendly nations."[57]

Under Title IV, the U. S. Government may enter into an agreement with the government of any friendly nation for delivery of U. S. surplus agricultural commodities over periods up to ten years. Credit periods of up to twenty years, however, have been authorized. Commodities supplied under the agreements are for domestic consumption within the purchasing country.[58]

The payment period and the interest rate are determined on a case-to-case basis, the general criteria being the country's financial situation, stage of economic development, and other similar factors.[59]

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[56] Ibid.

[57] United States Department of Agriculture, Report on Title IV of Public Law 480, March 13, 1964 (Washington: Government Printing Office, 1964), p. 1.

[58] Ibid.

[59] Ibid., p. 2.

Theoretically, the success of programs under the other titles will make a country capable of taking on a Title IV program.[60] Generally, countries procuring commodities under Title IV have somewhat more stable economies than countries on other programs.

The sales in recipient countries of the commodities supplied on credit have made local currencies available to foreign countries for various projects which are contributing significantly to the development of these countries. Most of the agreements signed under Title IV have been accompanied by a formal commitment on the part of the foreign government receiving the credit that the funds made available by the sale of the commodities financed under the agreement would be used for social and economic development objectives to be mutually agreed to by the two governments.[61] For example, "in Chile, the sales proceeds will be used for public investment projects in the field of housing, schools, and other social assistance projects, rural development, marketing of agricultural projects, transportation, development of the cooperative movement, and development of small-and medium-scale industry."[62]

The principal countries with which we have arranged Title IV programs since the creation of Title IV have been: Yugoslavia, $50.3 million worth of commodities: Chile, $32.1 million; Ryukyu Islands, $24.8 million; and Dominican Republic, $24.7 million.

60Statement by Mr. Frank D. Barlow, Jr., <u>op. cit.</u>

61Statement by Mr. Hilton D. Bateman, <u>op. cit.</u>

62<u>Food For Peace, Nineteenth Semiannual Report on Public Law 480, op. cit.</u>, p. 82.

PART II.--HOW A TITLE I OR TITLE IV PROGRAM IS TRANSACTED

"Recipient countries see in Title I a saving of foreign exchange. Conversely, these countries see a loss of foreign exchange in the dollar repayments involved in a Title IV sale. Thus, a country should weigh the saving of dollar exchange under Title I against the gain of dollar receipts under Title IV."[63] Measured in dollar equivalency, this gain will be equal to or less than the U. S. loss of local currencies the United States would have received as its portion in a Title I agreement. Similarly, the United States must weigh its saving of dollar expenditures under Title I against the gain in dollar earnings under Title IV to determine the agreement more favorable to us.[64]

There are numerous financial arrangements to be made before an international transaction under either Title I or Title IV is concluded. The following numbered steps enumerate the operations in such agreements.

(1) Signing the agreement--"The agreement stipulates the terms of the sale, the maximum dollar amount, and the approximate quantity of commodities to be purchased under the agreement, as well as quantities to be purchased commercially to meet usual marketing requirements."[65] A Title I agreement specifies the exact use of the

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[63] Warrick E. Elrod, Monetary Effects of Financing Agricultural Exports Through Programs Under Titles I and IV, Public Law 480 (Washington: Government Printing Office, 1963), p. 6.

[64] Ibid.

[65] John P. Bogumill and O. Halbert Goolsby, Financial Prodedures Under Public Law 480 (Washington: Government Printing Office, 1964), p. 7.

local currencies, by the recipient country and by us, as well as the exchange rate at the time. A Title IV agreement stipulates the payment period, interest rate, and schedule for repayment of the dollar credit.[66]

The agreement is the culmination of events beginning with a request submitted by a foreign government. "The request generally includes an explanation of economic factors underlying the request and a list of specific commodities and quantities desired."[67] The agricultural attaché together with other appropriate members of the U. S. Embassy draw up a recommendation concerning the request. The request is then reviewed by the Department of Agriculture, which considers such factors as surplus availability in the United States of the commodities requested, the importing country's ability to increase consumption, and the relation to dollar sales and exports of friendly countries.[68]

The Interagency Staff Committee in Washington, D. C., analyzes, modifies and accepts or rejects the Department of Agriculture's proposal. The Committee includes representatives from the Departments of Agriculture, State, Treasury, Defense, and Commerce, and from the Bureau of the Budget and the U. S. Information Agency.[69] The Committee, which is chaired by a representative of the Department of Agriculture, considers the prospective program from every possible

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[66] Ibid.

[67] Ibid.

[68] Ibid.

[69] Ibid.

perspective, including probable economic effects throughout the world the agreement would have.

Following all adjustments and negotiations between the two governments, a final version of the agreement is signed by representatives of the two countries.

(2) Purchase authorization--The importing country applies through its embassy in Washington to the Foreign Agricultural Service of the Department of Agriculture for an authorization to purchase agricultural commodities. "The purchase authorization specifies the particular grade or type of commodity to be purchased, the approximate quantity, the maximum dollar amount, the periods during which contracts between importers and exporters may be entered into, and the time span during which deliveries must be made."[70] The purchase authorization is more specific than the sales agreement. For example, the agreement may describe the import merely as "wheat," while the purchase authorization would specify "U. S. No. 1 Hard Red Winter Wheat."[71] It is at this point that a number is assigned to the transaction which must appear on all further documentation concerning the transaction.[72]

Purchase authorizations are usually not issued for the total amount at one time of the commodities called for in the agreement. If it is found, for example, if the first phase of the transaction disrupted trade, or that the foreign country was not living up to its part of the agreement, then the next purchase authorization

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[70] Ibid.

[71] Ibid., p. 8.

[72] Ibid.

would either not be issued, or would be altered to compensate for the new conditions. Thus, the power for final execution of the transaction lays with the Foreign Agricultural Service, whose discretion, after study, and counsel, is the determiner.

The Department of Agriculture issues a public announcement each time a purchase authorization is issued.[73]

(3) <u>Sub-authorization</u>--The government of the importing country issues a sub-authorization to an importer to purchase commodities in accordance with the provisions of the authorization.[74] Also the government designates a local bank and the United States bank to handle all transactions.

(4) <u>Letter of commitment</u>--The Commodity Credit Corporation issues a letter of commitment to each U. S. bank designated to handle transactions. It constitutes a firm commitment on the part of the CCC to reimburse the U. S. bank for payments made to the exporters named in letters of credit issued by the foreign bank.[75]

(5) <u>Contract</u>--The designated importer contracts with a U. S. exporter for the purchase of the commodity, and he may use any criterion he wishes in making the choice. The importer must acquaint the exporter with the terms of the purchase authorization, and must inform him that the transaction is taking place under Public Law 480. The supplier is required for most commodities to

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[73] Statement by Mr. Hilton D. Bateman, <u>op. cit.</u>

[74] John P. Bogumill and O. Halbert Goolsby, <u>op. cit.</u>

[75] <u>Ibid.</u>

submit the contract to the Department of Agriculture for approval, and he must present the signed price approval notice, alone with other required documents, to the U. S. bank to receive payment.[76]

(6) Letter of credit--The letter of credit is issued by the foreign bank upon application by the importer, and is confirmed by the U. S. bank. "A letter of credit is a financial document issued by a bank which agrees to honor drafts drawn upon it by a specified person, usually the exporter, under certain stated conditions...."[77]

The U. S. bank then notifies the exporter that he may draw upon an account set up for this purpose, if he does so under the conditions stated in the document. The confirmed letter of credit constitutes a guarantee to the exporter since the credit of the American bank is pledged. Such a letter is binding because it states that the letter cannot be altered or canceled before a certain period of time elapses, unless the consent of both parties is given.[78]

Shipment by a U. S. exporter before he receives an irrevocable letter of credit from a U. S. bank are made at his own risk.[79]

(7) Purchase of commodities--The exporter buys the commodity from regular commercial sources or from CCC. U. S. domestic market prices for commodities such as wheat and cotton (which comprise over two-thirds of P. L. 480 shipments by value) are usually higher than world market prices, so USDA makes export subsidy payments which

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[76] Ibid.

[77] Ibid., p. 9.

[78] Ibid.

[79] United States Department of Agriculture, Brief Explanation of Operations Under Title I and Title IV, Public Law 480, April 10, 1964 (Washington: Government Printing Office, 1964), p. 2.

equal the difference between the U. S. price and the world price for these and other commodities. Most payments are made with payment-in-kind certificates which may be exchanged for CCC-owned commodities in the amounts and kinds listed in the certificate. Wheat flour subsidies are paid in cash. Export payment rates for feed grains are established through competitive bids of exporters. All wheat grain export payments are made with payment-in-kind certificates at a rate decided upon by the ASCS*and announced daily.[80]

Under Public Law 664, 83rd Congress (Cargo Preference Act), it is required that at least 50 percent of the tonnage shipped under U. S. Government-financed programs be shipped in U. S.-flag commercial vessels. Due to higher costs, theprices charged by American shippers are generally higher than prices charged by foreign-flag vessels. In the case of shipments under Titles I and IV of P. L. 480 the U. S.-flag carrier receives dollars for the full amount of shipping costs and the recipient government pays the U. S. Government local currency equivalent to the foreign-flag rates.[81]

(8) Exporter is paid--Having received a bill of lading from the shipping company, the exporter presents it and other required documents to the U. S. bank, and receives payment in dollars at the price agreed upon in the sales contract and within the terms of the letter of credit previously received.[82]

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*Agricultural Stabilization and Conservation Service

[80]John P. Bogumill and O. Halbert Goolsby, op. cit.

[81]Ibid.

[82]Ibid., p. 12.

(9) Bank transactions--The U. S. bank presents copies of the ownership documents to the Federal Reserve Bank named in the letter of commitment. The Bank, acting as the agent of CCC, pays dollars to the U. S. bank, or credits its reserve account. The U. S. bank then notifies the foreign bank of the transaction and transmits the bill of lading. Under a Title I program, the foreign bank is required to deposit local currency to the account of the U. S. Disbursing Officer immediately upon receipt of documentation from the U. S. bank.[83] The subsequent uses of these currencies are widely varied, and are discussed later in the paper.

Under Title IV the foreign government pays dollars to the U. S. Government over the time periods and at the interest rates stipulated in the P. L. 480 agreement. The recipient government need not repay dollars to the United States until the scheduled payments are due. "The foreign government thus receives budgetary or development support on terms more favorable than those usually available locally."[84]

(10) and (11) Commodities Shipped and Claimed--Upon receipt of the bill of lading, the foreign bank delivers it to the importer in exchange for local currency. The importer pays his government, through the designated bank, and then uses the bill of lading to claim the goods when they arrive from the United States.[85]

(12) Distribution of commodities--The importer makes final

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[83] Ibid.

[84] Ibid.

[85] Ibid., p. 13.

sale of the commodity within the country through normal commercial channels. If the importer is a government agency it may stockpile the commodities for eventual distribution in time of need.[86]

In a Title I transaction, where foreign currencies are obtained, they are generally administered by the Agency for International Development. They may be:

(1) Lent to:

  (a) The recipient country

  (b) Private U. S. or foreign firms located in that country, or

(2) Granted to the recipient country, or

(3) Used to purchase military supplies, facilities, or services.

In lending local currencies to a foreign country, the terms of the loans are included in loan agreements which set lines of credit up to the amounts planned in the sales agreement. The loan agreements state the rate of interest to be charged and provide that loans may be repaid in dollars or in the currency of the borrower.[87]

There has been great concern over the effect our food programs have had on commercial trade throughout the world. Although it is difficult to pinpoint the isolated cause of lost exports, it is easy for countries to understand that a country would rather receive P. L. 480 commodities (other than Title IV) than purchase commodities to fill the same need from another country and pay for the shipment

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[86] *Ibid.*

[87] *Ibid.*

in hard currency. By obtaining food and fiber from the United State under, say, Title I, not only is the country's need filled, but its balance of payments is not hurt.

This type of arrangement was easily seen by the world at the very outset of P. L. 480 operations. It was felt by many strong, commercially exporting nations that by providing "free" food and fiber to eligible countries that we were destroying not only actual markets, but potential markets as well.[88]

As a result of wide complaint, a watch-dog assignment was given by the United Nations to the Consultative Sub-Committee on Surplus Disposal of the Committee on Commodity Problems of the Food and Agricultural Organization.[89] It was set up for the expressed purpose of studying the surplus disposal programs of the surplus-producing nations of the world. Since at the time the United States had the largest burdensome surplus in the world, it was evident that the programs of the United States were directly to be scutinized.

In the early days of the Sub-Committee some of its members wanted each prospective program to be subject to debate within the the Sub-Committee before a deal would be signed.[90] This we

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[88]Statement by Mr. Charles McClean, Regional Economist, North American Office of Food and Agricultural Organization, United Nations; also, Secretary of the Consultative Sub-Committee on Surplus Disposal of the Committee on Commodity Problems of FAO of the U. N., personal interview, United States Department of Agriculture, Washington, D. C., November 5, 1964.

[89]Statement by Mr. Hilton D. Bateman, Chief, Reports and Analysis Branch, Programs Operation Division, Foreign Agricultural Service, United States Department of Agiculture, personal interview, Washington, D. C., September 10, 1964.

[90]Ibid.

flatly refused, because not only would this be embarrassing to the United States, but to the importing country as well. Macy's does not consult Gimball's every time a business deal is pending.

Instead, we decided to report to the Sub-Committee that it was not necessary to submit our programs to the Sub-Committee for debate, because we would henceforth consult bi-laterally with countries which would be directly affected.[91] This is the practice we have followed, and it <u>has</u> pacified the complaining countries somewhat.

For example, every time we have a program pending involving wheat, Canada, Argentina, and Australia are consulted bi-laterally, because they export wheat commercially. Likewise, if a program is to involve dairy products, we consult the Netherlands, Denmark, and New Zealand. When a deal is to involve tobacco, Greece, Turkey, and Rhodesia are consulted.

In addition, we send a letter to the Secretary of the Consultative Sub-Committee the day before an agreement will be signed informing him that after negotiations an agreement will soon be signed.[92] He is told of the nature of the arrangements to be made and with which country they are to be made. The members of the Sub-Committee (there are about 50 countries represented on it) are then notified, and they are able to receive the information about the same time they can read a report of it in their local newspapers. This, then, as can be readily seen, is simply a formality on our part to

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[91]Statement by Mr. Charles McClean, <u>op. cit</u>.

[92]<u>Ibid</u>.

recognize the existence and purpose of the Sub-Committee.

To futher assure that our programs will not cripple international trade, and to maintain strong economic ties with friendly nations, the United States writes into agreements what is known as a "usual marketing requirement."[93] That is, it must be agreed by the recipient country that the commodities which she is receiving must not take the place of those which she "normally" purchases on the commercial market from the United States or nations friendly to the United States. Careful records are kept by the Foreign Agricultural Service as reported by our embassies as to the monthly compliance with the "usual marketing requirements" written into the agreements. If, for any reason, the recipient country does not comply with the established quota, further purchase authorizations are not issued.[94]

This has proved to be a satisfactory way of dealing with the original problem: the displacement of markets. However, this only helps to prevent the displacement of actual markets. This does affect the potential markets, and this fact constitutes the primary problem Public Law 480 faces in international trade.[95]

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[93] Statement by Mr. Hilton D. Bateman op. cit.

[94] Ibid.

[95] Statement by Mr. Charles McClean, op. cit.

PART III.--CASE STUDIES

In order to understand fully the successes and failures of P. L. 480 throughout the world in respect to all of its aims, it is necessary to examine the actual conditions in which P. L. 480 is operating and has operated: Because of the diversity of national economies in the world, we shall look at the present situation, the economic progress in recent years, and the effects of our Food For Peace Programs in each of a handful of countries, representative of the different kinds of economies. From the underdeveloped and starving country of India to the more highly developed and industrialized country of Greece, our surplus food and fiber have served to feed and clothe the people, and stabilize and strengthen the economies, with varying degrees of success.

An attempt will be made to scrutinize the countries that follow with objectivity so as to facilitate the most accurate conclusions possible. Where failure has been seen, no attempts at either justification or criticism will follow. These, (justification and/or criticism) along with a study of feasible modifications in the program will appear at that stage of this study where we are better able to judge the entire program in its full scope.

INDIA

India has been the principal recipient of agricultural commodities under Public Law 480. P. L. 480 commodity shipments to India since 1956 have been more than one-fourth, or over $2 billion worth, of the total market value of agricultural products covered by Title I, P. L. 480 agreements through June 30, 1964.[96]

Since India is the largest single recipient of Title I shipments, it is desirable to look at her situation first.

India has two percent of the world's land and 14 percent of the world's population. The per capita income is around $70 per year. Presently, nine million people are unemployed and another 15 million are estimated to be seriously underemployed. The present food grain consumption is approximately 16 ounces per person per day. The per capita calorie food intake, including P. L. 480 supplies, is around 2,000 calories per day. To illustrate a major problem are the following figures: The population is growing at 2.15 percent per year, while the real income per capita is only growing at 1.3 percent per year.[97]

India decided to spur the pace of development by government action in 1951 when it launched its First Five Year Plan. Since three-quarters of the people were dependent upon agriculture, major attention was devoted to investments and services to facilitate an

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[96]United States Congress, House of Representatives, Committee on Agriculture, Food For Peace, Twentieth Semiannual Report on Public Law 480 (Washington: Government Printing Office, 1964), p. 24.

[97]Lawrence Witt and Carl Eicher, The Effects of United States Agricultural Surplus Disposal Programs on Recipient Countries (East Lansing: Michigan State University, 1964), p. 59.

increase in agricultural output. Although like all other undeveloped countries India was fascinated by steel mills and power plants, the plan was adhered to for the entire five years. It was in many ways a material success, and was accomplished with Western aid totaling $625 million.[98] In addition, favorable weather helped the major goals of the First Plan to be met or nearly met. Food grain production increased by 22 percent instead of the anticipated 14 percent.[99]

When embarking upon her Second Five-Year Plan, India succumbed to the fascination for steel mills and power plants, and de-emphasized agriculture. Most international economists in the United States Government felt that this was wrong, and suggested that a more solid agricultural base must be developed before industrial expansion could be successful.[100] Since India had little to export and had a limited capacity to import at the end of the First Plan, the decision was made to rely more heavily on import-replacing industries which would "create the maximum growth potential for the _future_ rather than a model."[101] The government had made a decision to play a major role in heavy industry.

The Indian Government assumed that agricultural production would continue to grow at the same rate, and that the same agricultural

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[98]Dan Golenpaul and Associates, _Information Please Almanac, Atlas and Yearbook_, 1965, (New York: Simon and Schuster, 1964), p. 649.

[99]Lawrence Witt and Carl Eicher, _loc. cit._

[100]Statement by Mr. Hilton D. Bateman, Chief, Reports and Analysis Branch, Programs Operation Division, Foreign Agricultural Service, United States Department of Agriculture, person interview, Washington, D. C. September 10, 1964.

[101]Lawrence Witt and Carl Eicher, _op. cit._, p. 60.

imports would contine to be supplied, so that it would be justifiable to shift attention away from agriculture. "They felt that P. L. 480 supplies would tide them over until their production advanced enough to meet their needs."[102] They made calculations, and they stuck with them.

Three significant things were miscalculated, which resulted in the failure of the Second Plan: First, small crop years brought forth a foreign exchange gap. Agricultural output increased only 2.9 percent per year, as compared with 3.8 percent in the First Plan.[103] India signed a three-year Title I, Public Law 480 contract in August, 1956. The food provided in this agreement was imported in two years and another agreement was drawn up in June, 1958.[104] Second, the need for capital equipment imports had been underestimated and by the second year of the plan, foreign exchange balances were at a low level. Third, population grew faster than anticipated. Instead of the estimated 1.25 percent population growth rate for the 1951-61 period, the population actually grew at 2.15 percent per year. The 1961 census showed 438 million instead of the estimated 408 million people.[105] A major disaster was avoided only because surplus foods were used to assist India in meeting needs that would ordinarily have been met by foreign purchase--and would have had the effect of widening her foreign exchange gap. It has been

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[102] Statement by Mr. Hilton D. Bateman, op. cit.

[103] Lawrence Witt and Carl Eicher, loc. cit.

[104] Statement by Mr. Hilton D. Bateman, op. cit.

[105] Lawrence Witt and Carl Eicher, loc. cit.

wondered if the availability of P. L. 480 commodities at the end of the First Plan contributed to a neglect of agriculture during India's Second Plan, and possibly even to a shortage today. Who is to say, however, that India would have chosen to increase production rather than to purchase the needed commodities commercially?

In launching the Third Five Year Plan in 1961, India took into consideration the higher population growth rate, and estimated that her population in 1966 would be 492 million.[106] Emphasis in the Third Plan is again on agriculture.[107] But because this plan was too ambitious, many projects had to be dropped and goals had to be reduced. One of the projects was to increase per capita income from $69 a year to $81 a year.[108] India proposes to become self-sufficient in food grain production by 1966. Not many seriously believe that this will be realized. In fact, it is discussed behind closed doors that not only is it highly unlikely that India will <u>ever</u> achieve self-sufficiency in food production, but that the <u>600,000 tons</u> of wheat we are sending India every month is falling behind very fast in its race with her growing needs.[109]

It has been morbidly predicted that by 1970, India and Communist China (which is in a much worse economic state than India) will

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[106]Dan Golenpaul and Associates, <u>loc. cit.</u>

[107]Statement by Mr. Hilton D. Bateman, <u>op. cit.</u>

[108]Dan Golenpaul and Associates, <u>loc. cit.</u>

[109]Statement by Mr. Thomas Street, Chief, Programs Development Division, Foreign Agricultural Service, United States Department of Agriculture, (former Assistant Agricultural Attaché to India) Personal interview, Washington, D. C., November 5, 1964.

be suffering from the worst famine in the history of the world. It is doubtful that the surplus-producing countries will have enough food to avoid such a catastrophic situation.

However, it is believed that it is possible for such a thing to be avoided. First, a technological breakthrough in agriculture is needed. India has enough land to feed her people, but the problem is productivity.[110] There is a vast reservoir of knowledge in the developed countries, which, if properly adapted to India's specific conditions, could go a long way towards increasing the output of food. Second, the rate of population growth must be slowed. "The gravity of this population growth rate and man-land ratio pattern is pointed up by the failure of agricultural production per capita to maintain previously achieved rates of improvement and the inability of industry to absorb more than a small part of the increasing labor force."[111] The government of India has launched an ambitious program of family planning and birth control. However, few people believe that family planning in India will reduce the population growth rate during the 1960 decade. A large family means economic security for parents in old age.[112] Without substantial changes in this attitude, progress

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[110]United States Department of Agriculture, Economic Research Service, Foreign Regional Analysis Division, The World Food Budget, 1970 (Washington: Goverment Printing Office, 1964), p. iii.

[111]Ibid., p. 16.

[112]Statement by Dr. Horace J. Davis, Assistant Administrator, Foreign Agricultural Service, for agricultural attachés (former Agricultural Attaché to India, Yugoslavia, and the Union of Soviet Socialist Republics). Personal interviews, Washington, D. C., January 29, 1965, and February 11, 1965.

will be slow.[113] Third, transportation throughout India must be improved. Even if all of the food needed could be produced, it is doubtful that many thousands would be kept from starvation, unless improvements are made on a large scale in transportation facilities. It has been said that enough food is available for everyone in India today, but many do not get enough to eat because it cannot reach them.

A student of economics from the United States would encounter many problems if he were to attempt to apply American economic theory to India's economic system. In this country, as the price of a commodity goes up, the supply of that commodity on the market also rises. Indian farmers, however, sell their products to obtain money for essentials. When they have obtained the needed amount, they stop selling their commodities. Therefore, when the price goes up, they need to sell less to obtain what they need: the result is less of that commodity on the market. In an attempt to keep prices low and stable, the Indian Government sells P. L. 480 commodities in "fair price stores" at low, and relatively constant, prices.[114]

This has the effect of forcing the farmers to put more products on the market, and not to hoard. Some hoarding is still seen in certain areas, and some people in India are overfed, while others are going hungry.[115]

India has a very low level of per capita income--increasing at an annual rate of about one percent. It is not expected to move

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[113] United States Department of Agriculture, The World Food Budget, 1970, op. cit., p. 17.

[114] Statement by Mr. Hilton D. Bateman, op. cit.

[115] Ibid.

from this position during the decade of the 1960's. As India enters the fourth year of her Third Five-Year Plan, she will attain only 70% to 80% of the major industrial and agricultural goals set for 1965-66, even though some objectives have been altered somewhat to less-ambitious levels.[116]

This low growth rate in per capita income stems largely from failure to make substantial gains in agriculture.[117]

Although India is one of the world's largest agricultural producers, with over 300 million acres of tilled crop land (the U. S. had almost 400 million under crops in 1961), production continues to lag behind needs. Even though India has undergone considerable transition toward industrial development, her economy remains basically agricultural. Agriculture still provides an estimated 50 percent of the gross national product and a means of livelihood for over 70 percent of the people.[118]

In addition to the fact that the United States and other developed countries have higher agricultural productivity and more modern means of transportation, the developed countries supplement their agricultural products on the dinner table with much animal protein. India's eating habits are governed by prevailing religious customs. Indians are largely vegetarians because 85 percent are of the Hindu faith that regards all animal life as sacred, particularly cattle. There are hundreds of millions of cattle roaming at large throughout

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[116]Statement by Dr. Horace J. Davis, op. cit.

[117]United States Department of Agricultural, The World Food Budget, 1970, op. cit., p. 20.

[118]William F. Hall, "Public Law 480's Role In United States Economic Assistance to India and India's Economic Growth, 1951-61" (mineographed), p. 9.

India, and in addition to the fact that they are not used as a source of food, the cattle eat plenty themselves, and are often fed by the people that which they must themselves go without.[119]

India's problems are too immense for their weak government. However, the government <u>has</u> made tremendous gains in efforts to increase production. The mere problem of increasing acreage will soon no longer face them, because the arable land is rapidly diminishing. The much greater problem of increasing productivity on that land which is already in use is becoming the major concern.[120] The problems are so great that India has to keep running to stay abreast of the rapid rise in population. She needs to increase her supply of food by about one million tons a year to maintain status quo conditions.[121]

What it then boils down to is that each individual farmer on each individual farm must make an effort to increase that which he produces without increasing the amount of land used. To communicate with him to explain the situation and the necessity of increased productivity is a major problem. He probably will not be able to understand what you are saying, even if you are speaking his language (there are sixteen different languages spoken in India). It is publicly listed that over 80% of India's people are illiterate. However, the percentage is probably much higher, since the people of India consider that you are literate if you are able to "draw your name."[122]

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[119]Statement by Mr. Thomas Street, <u>op. cit.</u>

[120]Statement by Dr. Horace J. Davis, <u>op. cit.</u>

[121]Statement by Mr. Hilton D. Bateman, <u>op. cit.</u>

[122]Statement by Dr. Horace J. Davis, <u>op. cit.</u>

If it _is_ possible to explain to the farmer the importance of his extra effort, you will then face the problem of persuading him to do this extra work in summer heat that hovers between $140^{\circ}F$ and $150^{\circ}F$.[123] Not even a fast-moving, well-fed American could work in heat such as that.

If the first two problems are overcome in your contact with the farmer, you will have changed altogether his attitude toward work. The Indian farmer's criteria for evaluating the amount of work that should be done, is judged by examining his own conscience. If he feels that he has done a good day's work, in his own mind, then he feels that God, too, must feel the same way, and that anything which happens thereafter is the will of God.[124]

The solution of purely economic problems, such as increased productivity, might in theory be found. As far as the practical application, however, much more must be considered. The problems that P. L. 480 faces in India can be seen more clearly when such things as the climate and the innate attitudes of the people _are_ presented for objective review.

The United States has been assisting India through Public Law 480 since 1956. The majority of this aid has been through Title I, because it provides an abundance of local currency for use in economic development projects (i.e. dams, etc.), which not only will assist with the solution of India's irrigation and power problems, but will provide employment for those needed in the

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[123] _Ibid._

[124] _Ibid._

construction and operation of the project.

On Sunday, January, 24, 1965, the biggest single American-aided project in India went into operation. It is the hydroelectric project at Sharavathi, India, which harnessed the 82-mile long Sharavathi River. The United States contributed 102 of the 180 million dollars total cost of the project, much of the funds having been made available through Public Law 480.[125]

From July 1, 1954, through June 30, 1964, the total amount of agreements made with India under Title I (market value including ocean transportation)was $2,484,806,000.[126] The uses of foreign currency during this period as provided in Title I agreements are as follows:

Common defense......................	0
Grants for economic development.......$	788,175,000
Loans to private enterprise..........	168,087,000
Loans to the government..............	1,212,958,000
Other U. S. uses.....................	315,586,000
	$2,484,806,000 [127]

(Amounts are in dollar equivalents at the deposit rate of exchange.)

Total value of commodities shipped to India from 1954-1964, exclusive of Title I, is as follows:

Title II	$ 16,057,000

[125]Richmond Times-Dispatch (Richmond, Virginia), January 25, 1965, p. 33.

[126]United States Congress, Food For Peace, Twentieth Semiannual Report on Public Law 480, op. cit., p. 33.

[127]Ibid.

Title III..............................	$201,363,000
Title IV..............................	0
Total---$217,420,000 [128]	

Congress does not like to grant large sums of money to foreign governments, because of the political sounds of "giveaway programs."[129] Therefore, a larger percentage of the foreign currencies are being loaned to the government, rather than granted to the government as had been done. Congress has also said that the United States cannot retain less than 10% of the foreign currencies for her own uses. From January 1, 1964 through June 30, 1964, Title I agreements signed with India totaled $46,200,000 the foreign currencies of which were allocated in the following way:

Common defense..........................	0
Grants for economic development..........	0
Loans to private enterprise..............	$ 2,310,000
Loans to the government..................	39,270,000
Other U. S. uses.........................	4,620,000
	$ 46,200,000 [130]

The fact that much of the local currency is loaned to the government, and not granted to the government, means that this will be paid back to the United States in local currency. Already the amount of rupees credited to the United States account is more than $1 billion worth.[131] It is often wondered why the United States puts

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[128] Ibid.

[129] Statement by Mr. Hilton D. Bateman, op. cit.

[130] United States Congress, Food For Peace, Twentieth Semiannual Report on Public Law 480, op. cit., p. 30.

[131] Statement by Mr. Hilton D. Bateman, op. cit.

itself in the position of continuing to accumulate these U. S.-owned local currencies in India. It is speculated that the United States will be greatly embarrassed some day if the communist bloc accuses us of attempting to take over all of India. We will of course deny the allegation, but, in rebuttal, the Communists will point to the fact that since the U. S. owns millions of rupees in India, she is in the position of actually dictating economic policy. This will cause a momentary redness of the face, until we gratuitously agree to grant it all back to India. If we do not embarrass India in the process the situation will resolve itself, but her embarrassment might injure relations between two very friendly countries. It is wondered by many why we just do not give the needed food to India with no strings attached. This would alleviate a need and preclude the possible involvement concerning U. S.-owned local currencies.[132]

The large holdings of U. S.-owned rupees in India could have inflationary action on the economy, because the Indian banks which hold these rupees can certainly extend credit upon these reserves.[133]

From the exported products to India (under Titles I, II, and III), we have contributed an average of about 75 calories per day per capita to the Indian diet, or about 3.5 percent of the daily per capita caloric intake in India.[134] (This statement provides a theoretical, if not completely academic conclusion,

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[132]Statement by the Honorable Paul Findley (R.-Ill.), Representative in Congress, Personal interview, Washington, D. C., October 15, 1964.

[133]Statement by Mr. Hilton D. Bateman, op. cit.

[134]William F. Hall, op. cit., p. 4.

because the lack of transportation precludes the equitable distribution that the statement suggests. There were probably many who did not receive a single ounce of these exports).

The United States Government is not alone in its concern for the welfare of the Indian people. In fact, not only many other countries send aid to India, but many charitable organizations as well spend much time and money on India's problems. In 1959, the Ford Foundation recommended an approach to India's problems called the "Intensive Agricultural District Program."[135] The Plan's agricultural targets can be attained only if the various development programs are carried out effectively with wide-spread public participation.[136] Programs for increasing agricultural production include irrigation, soil conservation, fertilizer, improved agricultural practices. It is planned to irrigate an additional 25 million acres, introduce soil conservation of 148 million acres, supply one million tons of nitrogenous fertilizers, 400,000 tons of phosphatic fertilizers, 200,000 tons of potassic fertilizers, and 191 million tons of compost, and to have 50 million additional acres under improved seeds by 1966.[137]

This program aims at achieving a 40 to 60 percent rise in production within the selected districts. To attain this, "all factors of production are to be concentrated in effective combination in the most productive areas. This program emphasizes the need for

[135] Ibid., p. 10.

[136] Statement by Mr. Thomas Street, op. cit.

[137] William F. Hall, op. cit., p. 10.

increasing production of all crops, but food grains will receive primary attention."[138] This program has met with much success, and is to be expanded to other localities.[139]

India is a complex country with complex problems, the solutions of which have not been found. There is much interest in finding these solutions, but it is evident they must come from the Indian people themselves. The two major problems stand out: Productivity in agriculture must be increased so as to catch the rising need from the growing population; and the rate of population growth must be slowed so as to enable agricultural production to successfully fill the need. It is obvious that the Food For Peace Programs's efforts will see little success until these two primary problems are resolved.

COLOMBIA

Colombia has been an important market for United States' agricultural products. Receipts from the sale of coffee have financed the purchase of a wide range of industrial and agricultural commodities. The major farm commodities imported have been cotton, barley, malt, wheat, flour, vegetable oils, and animal fats and oils. In 1955, Colombia was the fifth largest Latin American importer of United States farm products. The export programs under the Food For Peace Program have helped to maintain exports

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[138] *Ibid.*

[139] Statement by Dr. Horace J. Davis, *op. cit.*

to Colombia at high levels.[140] Between 1955 and 1964, U. S. agricultural commodities worth approximately $122 million (market value) moved to Colombia under Titles I and III, Public Law 480. After the programs in Brazil and Chile, this is the largest amount in Latin America--though small compared to the programs in India and Pakistan.[141]

Colombia's rapid population growth, and declining foreign exchange earnings because of lower coffee prices beginning in the mid--1950's caused the Colombian government to accept Title I food aid over the 1954-60 period. It has been estimated that P. L. 480 commodities represented about 2.4 percent of average national consumption over the 1954-60 period.[142]

During the 1954-60 period, the general price level rose 70 percent while the general level of food prices increased 77 percent. A study show that Title I wheat imports played a significant role in restraining the upward pressure on bread prices. It shows that although domestic wheat production remained almost constant during the period while per capita incomes and population were rising, the inflow of Title I wheat restrained bread price increases to 40 percent as compared to the 77 percent increase in the general level of food prices during the same period.[143]

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[140] Lawrence W. Witt and Richard G. Wheeler, "Effects of Public Law 480 Programs in Colombia: 1955-62," (Michigan State University, 1962), p. 1. (Mimeographed).

[141] United States Congress, Food For Peace, Twentieth Semiannual Report on Public Law 480, op. cit., p. 25.

[142] Lawrence Witt and Carl Eicher, op. cit., p. 46.

[143] Ibid.

This data on wheat production, imports, prices, and consumption suggest that the P. L. 480 wheat inflow aided Colombian consumers.

It should be pointed out that the immediate impact of the wheat inflow on Colombian agriculture was to bring down wheat prices, and caused many wheat producers to shift a large percentage of their wheat to barley production. This shift was made relatively quickly and easily with a slight effect on Colombian agriculture. Promotional taxes were levied on P. L. 480 imports, thus providing the government additional funds earmarked for agricultural development.[144]

The use of local currency has substantially affected the efforts in economic development. A tangible example is a 33 million peso loan made to the Corporacion Valle del Cauca, a development operation evidently similar to the Tennessee Valley Authority. It is claimed that this substantial Title I currency loan was impossible to finance through local banking channels, but did convert the Corporacion Valle del Cauca from an engineering and planning operation to an operation program.[145] The success of this project was credited to the Title I currency loan, without which it would not have been possible. It is reasonable to assume that the economic development of the area in the vicinity of the project was seen as well, providing definite assets to the country's entire economy.

The rate of per capita production has roughly kept pace with the growth of population, both increasing at approximately

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[144]Elmer L. Menzie, Lawrence W. Witt, Carl K. Eicher, and Jimmye S. Hillman, Policy for United States Agricultural Surplus Disposal, Technical Bulletin 150, (University of Arizona, 1962), p. 63.

[145]Lawrence Witt and Carl Eicher, op. cit., p. 55.

2.8 percent per year.[146] Title I shipments have represented important increments to supplies of certain commodities, and have helped in avoiding price increases for these products.[147]

This does not necessarily reflect a satisfactory situation, because the equitable distribution of products to the people has not been verified. Besides, the World Food Budget, 1970, lists Colombia as presently being a "diet-deficient" country.[148]

Colombia has many problems affecting her economic situation. One of them is to meet the needs of a growing population: by productivity and increased acreage. Another, is the fact that there are many poor people in Colombia, but only a few people with wealth and property.[149] Goals of economic development will not be fully realized until institutional changes permit individuals to rise more easily from the large groups of disadvantaged families and individuals that survive only at bare subsistance levels. Public education is one area which could be expanded to permit such advancement.[150]

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[146] Dale W. Adams, Guillermo A. Guerra E., Philip F. Warnken, Richard G. Wheeler, and Lawrence W. Witt, Public Law 480 and Colombia's Economic Development, (Medellin, Colombia: Michigan State University, 1964), p. 348.

[147] Statement by Mr. Frank D. Barlow, Jr., Chief, Export Programs Research Branch, Development and Trade Analysis Division, Economic Research Service, United States Department of Agriculture, Personal interview, Washington, D. C., September 10, 1964.

[148] Lawrence W. Witt and Richard G. Wheeler, op. cit., p. 94.

[149] Statement by Mr. Hilton D. Bateman, op. cit.

[150] Dale W. Adams, Guillermo A. Guerra E., Philip F. Warnken, Richard G. Wheeler, and Lawrence W. Witt, op. cit., p. 353.

The central government cannot manage the problems of inflation and public investment because its taxing powers are too weak, so effectiveness in this area is poor. The present income tax does not produce large revenues, and the government uses indirect taxes as its source.[151]

Part of the problem may stem from the widespread distrust of government, of public officials, and even of fellow country-men in general.[152]

The results of Public Law 480 imports may be summarized as follows:

(1) The Title I imports enabled Colombian consumers to maintain consumption of fats and oils at low but traditional levels, and at less expense than would have otherwise been the case.[153] It has been indicated that the Netherlands feels that their regular commercial exports to Colombia of vegetable oils have declined since the beginning of our programs with Colombia. It has been discussed in the Consultative Sub-Committee on Surplus Disposal, and concluded that there are so many factors involved, that is is difficult to blame a single one of them (i.e. P. L. 480) as having disturbed commercial relations.[154]

(2) The pattern of trade in wheat appears to have been modified during the period of Title I imports. Canada's wheat

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[151]Ibid.

[152]Ibid.

[153]Ibid., p. 361.

[154]Statement by Mr. J. H. Pott, Assistant Agricultural Attaché to the United States form the Netherlands, Personal interview, Washington, D. C., November 5, 1964.

sales to Colombia declined, both in volume and in proportion. However, many factors besides Title I shipments have affected Canada's ability to compete in exporting wheat to Colombia. In the same period, Peru lost cotton sales to Colombia.[155]

(3) About 18 percent of the sales proceeds were used for Cooley loans.* These provided a type of credit not available from other sources for many of the recipient firms. Some 400 to 500 new jobs can be attributed to these loans.[156]

(4) On the one hand, P. L. 480 commodity imports have tended to benefit consumers at the expense of agriculture; on the other, the pesos paid by consumers have been directed in substantial measure toward strengthening the position of agriculture.[157]

Although the overall impact of the entire program cannot be seen for years to come, it is evident that the imports and local currencies derived from Public Law 480 agreements <u>are</u> providing factors of stability to the changing economy, and to withdraw our aid would only be withdrawing our faith in the people of Colombia to resolve their economic difficulties.[158]

Therefore, besides the economic and altruistic considerations, from solely a viewpoint of political advantage, there is every evidence of continued success of Public Law 480 in Colombia.

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[155]Dale W. Adams, Guillermo A Guerra E., Philip F. Warken, Richard G. Wheeler, and Lawrence W. Witt, <u>op. cit</u>., p. 362.

[156]<u>Ibid</u>., p. 362.

[157]<u>Ibid</u>., p. 364.

[158]Statement by Mr. Frank D. Barlow, Jr., <u>op. cit</u>.

*Loans to private enterprise.

UNITED ARAB REPUBLIC (EGYPT)

The United Arab Republic is striving to achieve in a decade or two a higher standard of living for its people. The population increase requires almost one-half of the 5 to 6 percent annual increase in national income just to maintain the old standard.[159] At that rate, arable land per capita will be no higher in 1972 than in 1962, despite the expectation of adding 2 million acres of farmland through reclamation and the completion of the Aswan High Dam, for which the U. A. R. is receiving much technical and financial aid from the Soviet Union.[160]

Half of the wheat consumption of the United Arab Republic is met through imports, most of which enter under Public Law 480. "Were it not for the P. L. 480 program, it is difficult to see how the growing Egyptian demands for foodstuffs could be met during the transition period."[161] One of the largest U. S.-supported school lunch programs in the world is operated in the U. A. R.; it feeds some 3 million children.

Surplus agricultural products have been sent to the United Arab Republic in large amounts since 1955. The greatest part has been under Title I, at at total value of $720 million. (market value). $532.5 million of that amount was in wheat and flour.[162] During the

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[159] Haven D. Umstott, Public Law 480 and Other Economic Assistance To United Arab Republic (Egypt) (Washington, D. C.; Government Printing Office, 1964), p. iii.

[160] Dan Golenpaul and Associtès, op. cit., p. 678.

[161] Haven D. Umstott, loc. cit.

[162] United States Congress, Food For Peace, Twentieth Semiannual Report on Public Law 480, op. cit., p. 25.

years of our Title I agreements with the U. A. R., the foreign currencies accrued were used in the following ways:

Common defense..............................	0
Grants for economic development............	$ 25,701,000
Loans to private enterprise................	78,979,000
Loans to the government....................	579,197,000
Other U. S. uses...........................	128,728,000
Total	--$812,605,000 [163]

(The amounts given above include market value plus cost of ocean transportation)

Our programs have made the United Arab Republic the largest Title I country in Africa and third largest in the world.[164] On a per capita basis, the U. A. R. is one of the largest recipients of Title I commodities in the world.[165]

Agriculture is the chief industry, engaging more than half the population. Only about 3.5 percent of the total area is arable, and only about 6,000,000 acres are actually under cultivation, almost entirely in the Nile valley and delta. More than half the cultivated area comprises farms of less than 20 acres.[166]

Special investigations by the United States Government are under way to ascertain the impact of surplus U. S. agricultural commodities on various aspects of the economy. Deflationary-

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[163] Ibid., p. 33.

[164] Haven D. Umstott, op. cit., p. v.

[165] Statement by Mr. William McCahon, Deputy Director, Food For Peace, Personal interview. Washington, D. C., September 10. 1964.

[166] Dan Golenpaul and Associates, op. cit., p. 679.

inflationary effects, including the impact on the black market, freedom of the government planners to expand the industrial sector of the economy with an assured supply of Title I commodities, and the effect on local agricultural production, farm prices, and finances, are some of the areas of study.[167]

It is known that loans are used to finance local costs of development, including costs for labor and locally produced materials. Title I funds are also being used to provide local currency financing for projects requiring both local and foreign exchange.[168]

The need for U. S. surplus wheat is going to grow, according to a recent estimation. About 47 percent of the wheat consumed in 1962 was grown in the U. A. R. It is estimated that by 1966 wheat grown in the U. A. R. will decline to around 44 percent.[169]

A major swing was begun in 1955 from traditional Western markets to the Soviet Bloc, based on political reasons, the possibility of purchasing military equipment with cotton, and a decline in cotton purchases by previous customers. The Suez Crisis in 1956, and the accompanying break in diplomatic relations with the United Kingdom and France as well as the blocking of Egyptian currencies in Western countries, served to increase the reliance upon Soviet Bloc countries as major trading partners.[170]

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[167] Haven D. Umstott, op. cit., p. 11.

[168] Ibid., p. 17.

[169] Ibid.

[170] Statement by Mr. Frank D. Barlow, Jr., op. cit.

Even so, actual deliveries of Soviet Bloc aid to U. A. R. between 1953 and 1957 amounted to only $17 million, while U. S. deliveries in the same period were $69 million, almost 5 times as much.[171]

The political effects of our P. L. 480 to the U. A. R. are being carefully examined in view of recent relations between the United States and the U. A. R. It was pointed out in Congress that the Soviet Union has been telling the people of the U. A. R. that the United States is ashamed of its surplus, and is using this in an effort to try to gain influence over their political views. The Communists are said to have instructed the people of the U. A. R. that the only way to avoid embarrassment with the rest of the world. is to speak out against the United States to prove that they are not being made into puppets by the United States. In addition, it has been said, the Soviets have encouraged the U. A. R. to use P. L. 480 as a bribe in foreign policy with the United States (ie: The U. A. R. should made the U. S. think that if we discontinue our aid she will attack Israel).[172]

Recent incidents in the U. A. R., which have caused much concern in the United States, include the burning down of the U. S. I. S. library in Cairo, the shooting down of an American-owned plane over U. A. R. territory, and remarks of December 27, 1964 made by President Nasser. After the occurrence of these incidents, a purchase authorization was issued for the shipment of commodities in accordance with United States commitments under a three-year agreement signed in 1963. Many people felt that it

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[171]Haven D. Umstott, op. cit., p. 20.

[172]Statement by the Honorable Paul Findley, op. cit.

was time to discontinue all aid to the U. A. R. rather than send more.

The State Department issued a public statement justifying our continuance of aid to the U. A. R. The text of that statement follows, in part, here:

> ...The great bulk of our assistance to U. A. R. is in the form of P. L. 480 sales which meet about one-quarter of all the food grain requirements of its people. Termination of this program would not affect U. A. R. capacity to carry on its military programs, but could well convince the U. A. R. Government that the United States is not sincere in its professed desire to help improve the living standards of the Egyptian people. Arbitrary termination could result in rapid deterioration of our relations with all Arab states and in increased hostile pressures against Israel.
>
> The burning of our U. S. I. S. library in Cairo was a senseless act of destruction which the great majority of Egyptians deplore. The mob attacking the Embassy consisted of African students, with few if any Egyptians participating. The Egyptian police responded to the Embassy's call for assistance but did not arrive in time or sufficient numbers to protect the Embassy compound. On the day after the attack, our Ambassador in Cairo delivered a note of protest to the Ministry of Foreign Affairs. The following day our Embassy received a note from the U. A. R. Government expressing regret for the damage done and willingness to compensate for the losses sustained. A detailed reckoning of the damages is being made and when it is complete a bill will be presented to the U. A. R. Government. Meanwhile the U. A. R. Government has made temporary quarters available. In a meeting with our Ambassador on December 19, President Nasser offered a gift of 1000 volumes and an encyclopedia for a new American library in Cairo.
>
> The shooting down of an American-owned plane over the U. A. R. has been investigated by the United States Civil Aeronautics Board and the Federal Aviation Agency. Pending completion of the investigation a protest was filed with the U. A. R. Government on December 24. The protest condemned the action of shooting down an unarmed American-owned plane and reserved our right to claim indemnification for the loss of life of an American citizen and for the loss of the American-owned aircraft.
>
> The remarks of December 27 resulted from a misunderstanding of the motives of the Food For Peace program. We know that the U. A. R. authorities fully

> recognize the importance of the P. L. 480 program to the economy of the country.
>
> Current consignments of commodities to the U. A. R. are in accordance with United States commitments under a three-year agreement signed in 1963. The Department now has under consideration a new request from the U. A. R. for a supplementary agreement. The interested agencies of the United States Government, including the Department, have not reached a decision on this request.[173]

Although there is much criticism on Capitol Hill of giving any more aid to the U. A. R., the United States will put up with a lot before it will cut off food. We have no quarrel with the Egyptian people. And a factor that carries much weight in our decisions to continue sending aid to the U. A. R. is that we have been able to persuade Nasser not to attack Israel, our largest per capita customer for P. L. 480 commodities.[174]

P. L. 480 has helped the United Arab Republic in the past few years very much. The commodities and accrued currencies have been important factors in the U. A. R.'s economic development, and in her attempts to achieve nutritional balance. It is evident that she cannot afford to do without our aid; but it is also evident that if no attempts are made to stop irritating the people of the United States, she will have to look somewhere else for an economic crutch. However, the stand that is taken now by the White House is that it would be more to our disadvantage than to U. A. R. 's to end our program now.

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[173]United States Department of State, Bureau of Public Affairs, Office of Public Services, Statement No. 5/2b--165BT.

[174]Statement by Mr. Hilton D. Bateman, op. cit.

GREECE

Traditionally one of the poorest countries in Europe, Greece has made a remarkable postwar recovery, thanks in part to funds supplied by the United States under the Truman Doctrine. Industrial production has soared, railroads and highways have been improved, and the national budget has been balanced. Destruction caused by the war, which was severe, has resulted in rebuilding of more than 1,500 villages and towns and of virtually all roads.[175]

Greece's economy has been primarily agricultural. It is estimated that more than 25 percent of the rural workers could be transferred to other sectors of the economy without adversely affecting agricultural production. "Basic structural adjustments need to be made in agriculture to achieve more balanced economic growth."[176]

Today, about three-quarters of the population engages in agricultural pursuits, although only one-fifth of the land is arable. Most of the cultivated area is devoted to cereals: wheat, barley, and maize.[177]

P. L. 480 has been a major source of U. S. economic assistance to Greece, accounting for approximately one-third of total U. S. aid in fiscal years 1954 to 1962 and over half of the total in

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[175]Dan Golenpaul and Associates, op. cit., p. 697.

[176]Organization for Economic Development and Cooperation, Greece, Economic Surveys by the O.E. C. D. (Paris: Organization for Economic Development and Cooperation, 1962), p. 6.

[177]Dan Golenpaul and Associates, op. cit., p. 698.

recent years. P. L. 480 commodities constituted about 17 percent of all external resources imported under public assistance programs and private capital flows during the period 1955-62. The Title I program was integrated into the much broader program of U. S. development assistance. Local currencies generated through Title I sales were used for purposes consistent with the overall objectives of the U. S. foreign aid effort in Greece, which are as follows: "(a) To assist the Greek Government in financing its investment budget, (b) to help develop the infrastructure (transportation, communications, and power) needed as a base for industrialization, and (c) to help develop private enterprise."[178]

Greece's Five Year Program for 1960-64 called for "development of the country's infrastructure as a necessary prerequisite for greater economic growth, more productive use of resources, and increased consumption potentials."[179] Roads are particularly vital to Greece's economy because of the insufficiency of other means of land transportation. About one-third of the Title I loans were used to improve transportation facilities--roads, bridges, and airports. Other loans helped the government to finance housing construction, public power, community development, agricultural projects, and vocational education.[180]

From Title I agreements signed with Greece from July 1, 1954, through June 30, 1964, the foreign currencies (drachmas) were

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[178]Susan A. Libbin, Contribution of Public Law 480 to Development of the Greek Economy (a preliminary report) (Washington: Government Printing Office, 1964), p. 12.

[179]Ibid., p. 15.

[180]Ibid.

used in the following ways:

Common defense........................	$ 10,040,000
Grants for economic development.......	7,329,000
Loans to private enterprise...........	11,251,000
Loans to government...................	54,069,000
Other U. S. uses......................	40,069,000
	$123,570,000 [181]

The commodities, with their respective quantities, sent to Greece under Title I, were as follows:

Wheat and flour	---	21,446,000 bushels
Feed grains	---	42,600,000 bushels
Dairy products	---	36,691,000 pounds
Fats and Oils	---	133,747,000 pounds [182]

Under Title II, Bread grains, valued at $3,526,000 (including ocean transportation), were authorized as disaster relief for Crete.

Under Title III, foreign donations valued at $122,402,000, were shipped to Greece from fiscal year 1955 through fiscal year 1964.[184] Under barter agreements during the same period, $12,106,000 worth of commodities were sent to Greece (we received in return only $10,149,000 worth of commodities).[185]

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[181] United States Congress, Food For Peace, Twentieth Semiannual Report on Public Law 480, op. cit., p. 32.

[182] Ibid., p. 28.

[183] Ibid., p. 42.

[184] Ibid., p. 49.

[185] Ibid., pp. 52-53.

We have no Title IV programs with Greece, illustrating the fact that Greece is still a relatively underdeveloped country.

Greece's trade with the Soviet Bloc countries and Yugoslavia has increased since 1954; exports to the Soviet Bloc rose from 4 percent of total Greek exports in 1955 to 18 percent in 1962, while proportion of imports rose from 3 to 7 percent of the total. Greece has negotiated a number of bilateral trade agreements with these countries which helped to liquidate excess tobacco stocks.[186] (Greece also produced a surplus wheat supply in 1956 and 1957).[187] There have been disadvantages also for Greece in trading with Eastern Europe. Imports from Bloc countries have tended to be overpriced. As a major customer for Greek agricultural exports, the Soviet Bloc is concerned about Greece's association with the Common Market. Since 1960, there has been a pronounced shift in Greek trade toward the Common Market countries. (Greece is an associate member of the E. E. C.).[188]

Title I imports do not require payment in foreign exchange. Therefore, Title I shipments have enabled Greece to increase imports of grain and dairy products without using scarce foreign exchange reserves which were needed to purchase capital imports essential in economic development. In the absence of Title I, it is likely that commercial imports probably would not have increased in a

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[186] Susan A. Libbin, *op. cit.*, p. 27.

[187] Statement by Miss Susan A. Libbin, International Economist, Development and Trade Analysis Division, Economic Research Service, United States Department of Agriculture, personal interview, Washington, D. C., September 10, 1964.

[188] Susan A. Libbin, *loc. cit.*

comparable amount because of the higher priority given to the importation of capital goods. Thus, the Title I program has been largely a supplement to. rather than a substitute for, commercial imports of grain and dairy products.[189]

It is possible that the Title I program with Greece will be replaced by a long-term credit program under Title IV. Even if this does occur, it is probable that with the improved status of Greece's balance of payments position, the demand for U. S. grains will increase.[190]

The future market for U. S. farm products in Greece will depend upon the (1) rate of growth and diversification of the Greek economy, (2) continuation of a P. L. 480 program (Title I or Title IV), and (3) competition from other grain exporting countries.[191]

SUMMARY

The following chart shows the population, intake of calories, average 1959-61 and projected 1970 of the four countries studied compared with the same data for the United States:

COUNTRIES	POPULATION		CALORIES	
	1959-61 MIL.	1970 MIL.	1959-61 no./day	1970 no./day
UNITED STATES	179.9	208.0	3,190	3,180
INDIA	431.7	536.6	2,060	2,220
COLOMBIA	14.8	19.5	2,280	2,470
U. A. R.	25.9	32.9	2,300	2,330
GREECE	8.3	9.2	2,960	3,030

189 Statement by Mr. Frank D. Barlow, Jr., op. cit.

190 Susan A. Libbin, op. cit., p. 33.

191 Ibid., p. 31.

Of the countries studied, only Greece has no population problem, has no balance of payments problem, and as shown in the following chart, no current or propective nutritional deficit:

	CALORIE DEFICIT PER PERSON PER DAY	
	1959-61	1970
	no.	no.
INDIA	240	80
COLOMBIA	220	30
U. A. R.	200	20
GREECE	0	0

Source: World Food Budget, 1970, for both charts

While U. S. food aid will likely continue to play an important role in helping developing countries meet emergency needs and achieve more rapid economic growth, food aid is at best a temporary and an inadequate measure. Higher food production is the only permanent way to overcome the food gap in most diet-deficit countries.[192]

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[192]United States Department of Agriculture, The World Food Budget, 1970, op. cit., p. iii.

PART IV.--PROBLEMS PUBLIC LAW 480 FACES

A. ACCUMULATION OF U. S.-OWNED LOCAL CURRENCIES

The very words "currency" and "money" denote something which is desirable to own, definitely worth saving, and easy to use. It is difficult, therefore, to convince people that these local currencies which we are accumulating have little in common with dollars, and that these funds have limitations which frequently make it difficult for the United States to use them for purposes which are either in our interest or in the interest of the countries we are assisting.[193]

There is a tendency to generalize and to assume that because local currencies have proved useful in Country A they will prove equally useful in Countries B and C. In many cases there are limits to the quantity of U. S.-owned local currency which the U. S. or the foreign country can constructively employ, and accumulations above this amount are of no practical value.[194]

This is the situation with which we are confronted today in an increasing number of countries. And this is the situation which produces strain on, and potential damage to, U. S. foreign

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[193]United States Department of State, Office of the Consultants to the Under Secretary of State on International Finance and Economic Problems, The Problems of Excess Accumulation of U. S.-Owned Local Currencies (Washington: Government Printing Office, 1960), p. 5.

[194]Statement by Mr. Thomas Street, Chief, Programs Development Division, Foreign Agricultural Service, United States Department of Agriculture (former Assistant Agricultural Attache to India), Personal interview, Washington, D. C., November 5, 1964.

relations without producing any compensating gain to the U. S. Treasury.

"Money itself is not a resource: it is a claim on a country's resources."[195] When the United States supplies a foreign country with the latter's own local currency, we are not increasing the real resources available to it--we are giving it additional claim on its own resources. The fact that local currencies in U. S. hands represent a highly limited asset, however, is not to suggest that such currencies are without any value.[196]

These currencies can be used, and have been used by the United States for the payment of her obligations abroad. There are also certain situations where these local currencies can be genuinely useful to the recipient country. In some countries, local governments lack sufficient strength and stability to finance their expenses by taxes or loans. In Vietnam, for example, the sale of U. S. aid-commodities for Vietnamese currency provides the local government with roughly two-thirds of its revenue receipts.[197]

We can lend a country local currency for projects which it has already planned to undertake and which are reflected in its budget. By so doing, although we will not add anything to the country's economy, we will release some of its own budgetary resources which can be used by it to moderate taxation or for retirement of debt. If, on the other hand, U. S.-owned local currency is used

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[195] United States Department of State, The Problems of Excess Accumulation of U. S.-Owned Local Currencies, op. cit., p. 6.

[196] Ibid.

[197] Ibid., p. 7.

for projects outside and in addition to what the country has already planned in its budget, then we are probably promoting inflation.[198]

Also, as stated previously, the accumulated currencies, as held in local banks, provide backing for extensions of credit by those banks, thus having an inflationary effect. A country may be able to absorb small amounts of additional money without harmful inflationary effects.

It is here that the size of the U. S. local currency accumulations complicates the picture.

Since 1954, and increasingly in more recent years, there has been a shift in emphasis in U. S. foreign assistance as the result of a strong political reaction in this country against so-called "giveaway" programs; they represent an attempt to put our foreign assistance on a sound and businesslike basis.[199]

"In cases where the U. S. is piling up sizeable excess accumulations, such excess currencies which we receive as payment for U. S. assistance, have little present or foreseeable economic value to the United States."[200] Thus, in a purely economic sense, the United States is <u>still not being compensated</u>, and its programs

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[198]Statement by Mr. Frank D. Barlow, Jr., Chief, Export Programs Research Branch, Development and Trade Analysis Division, Economic Research Service, United States Department of Agriculture, Personal interview, Washington, D. C., September 10, 1964.

[199]Statement by Mr. William McCahon, Deputy Director, Food For Peace, Personal interview, Washington, D. C., September 10, 1964.

[200]United States Department of State, <u>The Problems of Excess Accumulation of U. S.-Owned Local Currencies</u>, <u>op. cit.</u>, p. 9.

continue to be a "giveaway," despite their new businesslike form and the economic terms used in describing them.

It may be appropriate for us to look at several of the damaging consequences resulting from our increasing ownership of local currencies:

(1) It is evident that the political reaction in certain underdeveloped countries arises against the excessively large claims on local resources which are represented by the size of the country's indebtedness to the United States.[201] In the course of the next three years our holdings in India can easily approach $2.5 billion. Now $2.5 billion in relation to the Indian national income is roughly equivalent to $35 billion in this country. Imagine the reaction in the United States if a foreign country, no matter how friendly, held $35 billion in our currency. The inevitable reaction to the currently much smaller holdings is already in evidence in Asia, not necessarily from governments, but from the Communists.[202]

In an attempt to remove these holdings from the record, the United States requires that countries borrow their own currency from our supply at four percent. This however, has the effect of only increasing our own holdings, which probably will be lent again upon repayment of the loan with interest.[203] Several years ago the government of Burma told us that she would not borrow

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[201]Ibid., p. 10.

[202]Edward S. Mason, "Foreign Money We Can't Spend," Atlantic, CCV, No. 5. (May, 1960), p. 83.

[203]Statement by Mr. Hilton D. Bateman, Chief, Reports and Analysis Branch, Programs Operation Division, Foreign Agricultural Service, United States Department of Agriculture, Personal interview, Washington, D. C., September 10, 1964.

currency from us at four percent when she could borrow her own currency from these same banks at one percent![204]

(2) A U. S. Government loan is normally accompanied by a considerable measure of detailed investigation and supervision concerning use and repayment, all in accord with procedures specified by the Congress and inspected by the General Accounting Office. A careful exercise of the auditing function is likely to lead U. S. officials rather deeply into the internal affairs of the borrowing government, a practice which again is highly irritating to the foreign country and "incompatible with the concept of sovereignty in newly-independent states."[205]

(3) In those situations where we hold excessive accumulations of local currency, present procedures result in the loss to the United States of psychological advantages without the result of compensating values. It is difficult to convince either foreign governments or their citizens that we are providing aid primarily for their domestic well-being if we then engage for months in a struggle over the precise terms of the agreements.[206] Occasional tie-in sales (we will give you grain if you will take the cotton also) or other forms of pressure have made this stiuation considerably worse.[207]

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[204]Edward S. Mason, op. cit., p. 83.

[205]United States Department of State, The Problems of Excess Accumulation of U. S.-Owned Local Currencies, op. cit., p. 11.

[206]Ibid.

[207]Statement by the Honorable Paul Findley (R.-Ill.), Representative in Congress, Personal interview, Washington, D. C., October 15, 1964.

Misconceptions on the part of Congress concerning the value of local currency, when joined with the Legislative prerogative for controlling Federal expenditures, have led to the legal requirement that in order to use a certain part of these local currencies, the U. S. Government agencies have to obtain Congressional approval. The specified procedure for obtaining such approval is for the agency to request a dollar appropriation, even though only local currency is to be spent.[208] In other words, Congress refuses to allow the use of these foreign currencies without deducting it from the dollar appropriations of the agency involved (such as Commodity Credit Corporation).

There definitely appears to be a gross misunderstanding between Congress and the White House concerning the use of P. L. 480 excess currencies, because the House Committee on Government Operations, in a report written in November, 1964, stated the following: "One of the causes of the accumulation of excess foreign currencies has been the failure of the executive branch to seek congressional appropriation of U. S.-owned foreign currencies in lieu of dollar appropriations."[209] In the Supplemental Appropriations Act of 1953, it is provided that "foreign currencies can be used by agencies of the U. S. only by purchasing them from the Treasury with appropriated dollars."[210] However, the President

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[208]Statement by Mr. Hilton D. Bateman, op. cit.

[209]United States Congress, House of Representatives, Foreign Operations and Government Information Subcommittee of the Committee on Government Operations, 88th Congress, 2nd Session, U. S.-Owned Foreign Currencies, (Washington: Government Printing Office, 1964), p. 3.

[210]United States Department of State, The Problems of Excess Accumulation of U. S.-Owned Local Currencies, op. cit., p. 22.

may, by law, exercise his right to waive the provisions of that act as stated above.[211] The authority to administer this waiver was delegated to the Bureau of the Budget, which, upon submission of a justification by the Secretary of State, asking for a grant rather than a loan, occasionally authorized such a grant, having assessed the fiscal aspects of the situation.

In the recent session of Congress (88th Congress, 2nd Session), an advisory committee was set up to carry out this same function. The committee is composed of a representative from each of the following: Committee on Agriculture (House), Committee on Agriculture (Senate), Department of Agriculture, Department of State, Bureau of the Budget.[212]

MODIFICATION NUMBER ONE:

It would seem that real progress toward the solution of the problem of excessive accumulation would require that the appropriateness of grants should be determined, not by fiscal considerations, but on the basis of foreign policy interests. Therefore, it would seem only logical that the Department of State, represented on this new committee, should have the power to approve any action by this committee.

MODIFICATION NUMBER TWO:

Our Title I agreements carry with them many responsibilities for the recipient country to carry out. The agreements specify the exact uses of the currencies which are, in most cases, loaned back to the countries. If more of the currency were granted (see MODIFICATION NUMBER ONE), the specified uses as determined by the U. S. in the agreement would not diminish so much the psychological gain we should be realizing today. In that respect,

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[211] Ibid., p. 21.

[212] Statement by the Honorable Paul Findley, op. cit.

> whenever possible, currency should be granted with no strings attached to a recipient country, except, perhaps, that it be required that some publicity be given to the fact that the arrangement was otherwise unconditional. This type of agreement should be entirely supervised by the State Department, because it would obviously not be our objective to embarrass the government of the recipient country before its own people.

U. S.-owned foreign currencies which have been determined by the Treasury Department to be in excess, since fiscal year 1961 when the Bureau of the Budget started designating excess currency countries, are Burma, India, Indonesia, Israel, Pakistan, Poland, United Arab Republic, Syrian Arab Republic, and Yugoslavia. As of June 30, 1963, the United States owned nearly $3 billion worth of foreign currencies. More than $2.25 million worth of this total was in currencies determined to be excess to U. S. needs.[213]

Indian rupees constituted the U. S.-owned foreign currency of greatest abundance, amounting to slightly more than $1 billion worth. Treasury Department officials tesified that the $290 million worth of Indian rupees set aside as of June 30, 1963, for U. S. exclusive uses would finance U. S. activities in India for the next 28 years.[214] By September 30, 1963, the stock had increased to $309 million worth.[215]

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[213] United States Department of State, U. S.-Owned Foreign Currencies, op. cit., p. 8.

[214] Ibid., p. 9.

[215] United States Congress, House of Representatives, Hearings before Committee on Government Operations, 88th Congress, 1st Session, on U. S.-owned foreign currencies, November 18-20, 1963 (Washington: Government Printing Office, 1964), p. 169.

Congress complains that the Executive Branch has not developed constructive programs to make use of these currencies, but at the same time requires that no less than ten percent of the foreign currencies be held by the United States for its own uses. We are sending about four million tons of wheat to India per year. If it sells at $70 a ton, that would accrue $280million, of which $28 million must be held by the United States per year, resulting from wheat alone.[216] An attempt in the Second Session of the 88th Congress to raise the required minimum to twenty percent was defeated.[217]

MODIFICATION NUMBER THREE:

Since the accumulation of excessive currencies is seen to be so vital to our foreign policy, it should be the authority of the Executive Branch to determine the amount and uses of foreign currency loaned under Title I, including the amount held by the United States for its own uses. Since it is the responsibility of this branch to administer the program, it seems logical to give it more of a free hand in determining the needs of its own agencies. This does not remove the power of original appropriation of funds for these agencies by Congress, and would, when coupled with the first two modifications, provide wiser uses of funds which are of very limited value to the United States, but which can be of great value to a receiving country. This modification would also assist in removing from the records our embarrassingly large holdings in the nine countries mentioned.

MODIFICATION NUMBER FOUR:

Every effort should be made, in cases where accumulation of currencies are excessive, when no use can be found for the currencies and when no authority for grants can be obtain, to arrange a Title II (donations) program with a country, rather than to continue to accumulate excess currencies. (i.e. India).

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[216] Statement by Mr. Hilton D. Bateman, op. cit.

[217] United States Congress, Congressional Record, September 3, 1964, p. 20935.

MODIFICATION NUMBER FIVE:

One of the most important needs in India is for the people to receive the education necessary for them to be able to cummunicate and understand what they need to do to improve their condition.

Our excess currencies in Indian should be used to finance a nationwide system of elementary education for the people of India. Some people feel that if the people were educated and developed to a desirable degree, they would even abandon their inherited religious concepts, which many accept but do not understand, anyway.[218]

To encourage this program of education, the effort could be tied to our present school-lunch program in India. This program could be operated jointly with the Peace Corps: with P. L. 480 supplying a meal a day for the students, and the Peace Corps providing the needed teachers.

When the extension of Public Law 480 was being debated in Congress in the fall of 1964, an attempt to put the program under closer scrutiny by Congress was initiated by Allen Ellender (D.-La.) in the Senate, and Paul Findley (R.-Ill.) in the House. The amendment which they offered in their respective houses would have had the effect of subjecting any proposed grants of local currencies to re-appropriation by Congress.[219] Congress already appropriated for the agencies intending to use the currencies, by providing for an equal amount of dollars be backing it in the U. S. Treasury. This amendment would require, in effect, that the same money be appropriated twice.

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[218]Statement by Dr. Horace J. Davis, Assistant Administrator, Foreign Agricultural Service, for agricultural attachés (former Agricultural Attaché to India, Yugoslavia, and the Union of Soviet Socialist Republics), Personal interviews, Washington, D. C., January 29, 1965, and February 11, 1965.

[219]United States Congress, Congressional Record, September 2, 1964, p. 20760.

There are specific reasons why Congress attempted to obtain more control over the program. One of the most glaring cases involves the Agency For International Development (A. I. D.), administered by the Department of State. When Congress cuts their foreign aid allotments earmarked for use by A. I. D., the agency has tried to make up the difference by calling on the Department of Agriculture to arrange P. L. 480 programs with certain countries, so that the accrued currencies could be granted, in lieu of the normal foreign aid money. Since A. I. D. was only interested in the currency, and not the commodities, it meant that many countries were being loaded down with commodities they did not need, and this had the effect of changing the nature of P. L. 480, from an exact program of filling a need, to one of more arbitrary use.[220]

It was this "backdoor"[221] spending that Congress was trying to get control over.

Representative Findley, upon arguing on the floor of the House for this proposal, said, "It would simply enable the Congress to have a closer look at regular intervals at what is going on. The Committee on Appropriations could still earmark funds for grants both in soft currencies and in hard currencies."[222]

After several remarks in favor of and against the Ellender-Findley Amendment, Representative Albert (D-Okla.) rose in strong opposition to the Amendment, asking, "Would we, for example, willingly

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[220]Statement by Mr. Hilton D. Bateman, op. cit.

[221]Statement by the Honorable Paul Findley, op. cit.

[222]United States Congress, Congressional Record, September 2, 1964, p. 20761.

impose any requirement which in effect tied the hands of the President in his effort to promote U. S. interests in Vietnam?"[223] After pointing out that 90 percent of local currency generated under Title I sales in South Vietnam is granted to support the war effort there, Mr. Albert said that, "There is not a dollar that moves under the Public Law 480 program that has not already been appropriated by Congress.... I hope my friends on the Committee of Appropriations will not try to create what amounts to a double appropriation."[224]

The Amendment was defeated, but an advisory committee, mentioned earlier, was set up to study proposed grants and proposed uses of currencies granted.

Perhaps this advisory committee will succeed in bridging the gap of understanding between the Executive and Legislative Branches, because it must be said that in view of the obvious misunderstanding the present situation can hardly be called satisfactory.

B. EFFECT ON WORLD TRADE

The Food and Agriculture Organization of the United Nations has made a thorough study of surplus disposal, and through its Committee on Commodity Problems has adopted certain principles which it feels should be followed when disposing of surplus commodities. The three general principles are as follows:

> 1. The solution to problems of agricultural surplus disposal should be sought, wherever possible, through efforts to increase consumption rather than through measures to restrict supplies.

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[223] Ibid., p. 20771.

[224] Ibid.

2. Member Governments which have excess stocks of agricultural products should dispose of such products in an orderly manner so as to avoid any undue pressure resulting in sharp falls of prices on world markets, particularly when prices of agricultural products are generally low.

3. Where surpluses are disposed of under special terms, there should be an undertaking from both importing and exporting countries that such arrangements will be made without harmful interference with normal patterns of production and international trade. [225]

The FAO also lists various principles in the following areas: "Principles Governing Sales on Concessional terms" [226] and "Principles Governing Sales of Government-held Stocks in Exceptional Volume, Or At An Exceptionally Rapid Rate." [227]

The United States informed the Director-General that she was prepared to adhere to these Principles of Surplus Disposal.[228]

Every agreement under Public Law 480 contains a general provision to the effect that the agreement is not to interfere with normal trade. Specific "usual marketing requirements" are not included unless the country has a history of imports (of the commodities being programed) and would be expected to be able to buy their normal quantities. Thus, the Congo (Leopoldville) has no usual marketing requirement for rice, because she has historically not regularly imported rice.

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[225] United Nations, Food and Agriculture Organization, <u>Disposal of Agriclutural Surpluses</u> (Rome: Food and Agriculture Organization, 1963,), p. 3.

[226] <u>Ibid</u>.

[227] <u>Ibid</u>., p. 7.

[228] Statement by Mr. Charles McClean, Regional Economist, North American Office of Food and Agriculture Organization, United Nations; also, Secretary of the Consultative Sub-Committee on Surplus Disposal of the Committee on Commodity Problems of FAO of tje U. N., Personal interview, United States Department of Agriculture, Washington, D. C., November 5, 1964.

Korea has no usual marketing requirement for wheat, because the United States thinks that Korea does not have the necessary foreign exchange to pay for imports. Since the Korean economy is being supported by U. S. aid funds, a usual marketing requirement would result in the U. S. having to give Korea the funds to make the purchases.[229]

In every respect the United States attempts to comply with the FAO Principles.[230] As seen before, it is the responsibility of the Consultative Sub-Committee on Surplus Disposal to see that she does comply. Therefore, any country which feels that our programs have encroached upon her trade areas brings her complaint to this Sub-Committee. Recently, complaints have come from several countries: (a) The Netherlands has complained that our P. L. 480 programs with Colombia have had the effect of reducing the amount of vegetable oil sold commercially to Colombia;[231] (b) Rhodesia argues that we are taking away potential markets every time we made a deal involving tobacco; and (c) Australia has recently complained that our wheat programs interfere with her wheat distribution both commercially and through the Colombo Plan.[232]

Of particular concern to complaining countries is the fact that "usual marketing requirements" are based on historical actions,

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[229]Statement by Mr. Hilton D. Bateman, op. cit.

[230]Statement by Mr. Charles McClean, op. cit.

[231]Statement by Mr. J. H. Pott, Assistant Agricultural Attaché to the United States form the Netherlands, Personal interview, Washington, D. C., November 5, 1964.

[232]Statement by Mr. Charles McClean, op. cit.

not on prospective actions for the future. Therefore, it happens that when the needs of, say, India, increase, P. L. 480 commodities are likewise increased. A country who sells wheat to India, say, Australia, would be limited by the "usual marketing requirement" which does not rise with the need. Thus, Australia is angry because she cannot share in the increased need. She would suggest to the Sub-Committee that the U. S. raise the "usual marketing requirement" in proportion to the rising need. We would reply that Australia is perfectly welcome to deal with India on the same basis as we do, say, under the Colombo Plan. Australia would reply that <u>we</u> can afford to deal in such quantities since agriculture is only four percent of our overall economy, but that it is <u>forty</u> percent of hers. The debate would go back and forth ending in a deadlock, whereupon the world would suddenly be distracted by the fact that Canada had just lowered her price on wheat below ours and Australia's, and a new problem would suddenly make itself evident.

The complaints, as they are presented to the Sub-Committee, require that we make satisfactory explanations, and that we prove to the agreement of the plaintiff country that we are not interfering. This is done informally, behind the scenes, and by the time the Consultative Sub-Committee has convened to consider the complaint, it has usually been resolved to the satisfaction of all nations concerned.[233] Presumably the solutions are reached through diplomatic channels, and are saturated with justifications and assurances acceptable enough so that bi-lateral relations are not impaired.

It is easy to see the complexity of P. L. 480's ramifications

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[233]<u>Ibid</u>.

throughout the world. The agricultural economists of this country must consistently be aware of these when setting up programs.

When a P. L. 480 recipient country has not complied with the agreement, the Foreign Agricultural Service may stop further shipments by refusing to issue a purchase authorization. If, however, the stoppage would in any way interfere with relations between the two countries, the State Department may step in and order the purchase authorization to be issued anyway.[234]

A unique clause was written into the legislative act extending P. L. 480 pointed at the United Arab Republic, saying, in effect, that if a P. L. 480 country threatens another friendly country with war (i.e. Israel), then P. L. 480 commodities may be stopped. This was almost realized in Congressional action from January 25, 1965, to February 8, 1965, until it was finally argued convincingly that Congress had no power to legislate foreign policy--that it is the job of the President, who is equipped to know better the effects of certain actions. It is believed, for instance, that one of the White House points for continuance of aid to U. A. R. was that if we stopped, France, with a wheat surplus, would move in.

MODIFICATION NUMBER SIX:

A set of priciples should be drawn up embodying as nearly as possible all the circumstances which will

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[234]Statement by Mr. Hilton D. Bateman, op. cit.

govern decisions in Public Law 480 negotiations.[235] These principles should be published and distributed through the Consultative Sub-Committee.

MODIFICATION NUMBER SEVEN:

Proposed Public Law 480 programs, whenever possible, should be submitted to the Consultative Sub-Committee for approval by the member nations of FAO. This international sanction will reduce protests, and will certainly eliminate the complaint of nations that they do not hear of our transactions until they are actually executed.

The approval of a simple majority of the nations should be sought, because it is highly unlikely that we would be able to obtain universal agreement for <u>any</u> of our programs.

The primary argument against this modification is that our programs would be slowed down to such a degree that we would not be able to carry out our objectives successfully, and that nations which oppose our programs would use this as an opportunity to try to shoot it down.[236]

Therefore, it is believed that, although this modification would have certain advantages, it is probably more academically feasible than practicable in actual operation.

C. THE AIMS OF PUBLIC LAW 480

The original, two-fold objective of P. L. 480 is not exactly the same as the objectives today. Originally, the imaginative program of surplus disposal was highly regarded because it relieved a burden and filled a need. Also, indirectly, it was felt that new markets might be established for our farmers in the process. It was not until we had sent millions of tons of food and fiber abroad that

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[235]Jimmye S. Hillman, "Suggested Modifications in Public Law 480," (paper read at the Annual Meeting of the Western Farm Economics Association, Laramie, Wyoming, July 26, 1963, mimeographed), p. 6.

[236]Statement by Dr. Horace J. Davis, <u>op. cit</u>.

the political possibilities were seen; and today, the program is regarded as an important aspect of our foreign policy considerations.

Perhaps this is wrong. However, it is, nevertheless, the de facto situation at present. If we emphasize that through this program we hope to win some allies politically, we are putting ourselves in a position of eventual embarrassment. All the Soviet Bloc propagandists have to do is to convince a Public Law 480 recipient country of our supposed intentions and a bi-lateral friendship would be weakened, not strengthened. Many people in this country feel that we should seek political results in every way possible. These people have gone so far as to compile charts listing the countries we have aided, and comparing the number of times they have voted in the United Nations with the Soviet Union with the number of times they have voted with the United States. A chart such as that could easily be clipped and published in the daily newspaper of Bombay, or Caracas, or Cairo, or Djakarta, and one man's selfish ideas could result in international misunderstanding about our purposes and aims.

If the Communists are not successful in that approach, they would tell the recipient country that our surplus is so expensive to us that they are doing us a favor by taking it off of our hands. India and Brazil, two of the largest recipients of Public Law 480 commodities, both feel that they are doing us a favor, not that we are doing them a favor.[237]

Our position on the question of surplus is that we should not apologize for abundance and be shamed about so great an advantage.

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[237] Statement by Mr. Hilton D. Bateman, op. cit.

We tell them that only in a free, democratic society can such abundance be produced. It is an undeniable fact, however, that many people throughout the world are distrustful of governments in general, many times for good reason. Thus, it is only natural that they should be leary of any attempt by a government to help them out, especially when they seem to get the better of the deal.

That our Public Law 480 programs are thought to have political motives is pointed up by an example involving Pakistan. Several years ago we found it necessary to cut back our shipments of dairy products to <u>all</u> recipients, because of a diminishing surplus. The need to cut back came, unfortunately, soon after the President of Pakistan had made some kind remarks to the premier of Red China. The announced cut back in shipments of dairy products was splashed on every newspaper throughout Pakistan, and was attributed to the fact that the United States dictates with whom a country may associate on a friendly basis as part of its Food For Peace requirements.[238]

If we look at Public Law 480 in this way, and examine the political consequences of having a political and not humanitarian motive, one of the best things we have ever done to counter these thoughts is to sell wheat to Russia.

MODIFICATION NUMBER EIGHT:

In addition to receiving international sanction for our individual transactions, we should make clear our purpose,

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[238] Ibid.

and see that our purpose has international sanction, understanding, and assistance. Our overall purpose should be as follows:

> "The export programs of the U. S....(are) considered a long-term program, a permanent commitment of this country to assist economic development in underdeveloped countries, to help reduce food deficits, and to help the FAO freedom-from-hunger campaign." [239]

It is often wondered whether or not we should produce specifically for the P. L. 480 programs. Many feel that it would have a good effect politically if the recipient countries feel that they are receiving food produced especially for them, and not food that we just happened to have left over. On the other hand, to produce a surplus on purpose, some say, will not solve the "farm problem." There are supporters for both views, but it is certainly a question that will have to be answered sooner or later.[240]

Since, however, the prescribed acreage allotments take into consideration foreign export commitments (including Public Law 480), we <u>are</u> today, in actuality, producing commodities specifically for Public Law 480.[241]

MODIFICATION NUMBER NINE:

It should be required that on every container of Title II and Title III commodities be printed in full color the American flag. This would be understandable to those people who are illiterate, and would come to be known as the symbol of good will throughout the world.[242]

Perhaps we would see a renewed respect for our flag and what it stands for.

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[239] Jimmye S. Hillman, <u>op. cit.</u>, p. 10.

[240] Statement by Mr. William McCahon, <u>op. cit.</u>

[241] Statement by Mr. Hilton D. Bateman, <u>op. cit.</u>

[242] Statement by the Honorable Paul Findley, <u>op. cit.</u>

MODIFICATION NUMBER TEN:

The people of the United States should be made more aware of the existence of the Food For Peace Program. It is surprising how many thousands of people have never even heard of it. Perhaps if the people were more aware of the possibilities of this program as an instrument of international relations, they would see to it that it would be conducted in the way most advantageous to the United States.

CONCLUSION

It is hoped that some light has been shed on the complexities of the Food For Peace Program in regards to its organization, operation, and effects. Little attempt has been made to examine the thousands of different ideas regarding the program's objectives and organization. Many people have studied the program, and they nearly all agree that it is a program with unique features and wide possibilities. Also, it is generally agreed that the all important, primary purpose of the program should be to fill a need.

To the great credit of those people carrying out the everyday operations of the program, in the offices of the Department of Agriculture and the Department of State and in the foreign countries the program serves, it is evident that they are each very aware of the program's humanitarian purpose, and are equally concerned about the need that must be filled. It is not toward <u>these</u> people that criticism in this paper is directed; it is toward those people whose major interest is the program's extrinsic value to the United States rather than its intrinsic value to the people who are hungry. A person such as this has no "profile of courage," but, rather, is governed by blind devotion to his political future.

Perhaps Public Law 480 <u>is</u> too complex for most legislators to truly understand all of its aspects, and possibly this explains recent attempts to shackle its effectiveness. A lack of understanding as to the true nature of this type of aid can be a dangerous thing.

In order for our true motives to be understood throughout the world, they must first be understood by those who set out to mold the legal base in the first place.

It is difficult for some people to understand that if the world understands that our motives with Food For Peace are humanitarian, and solely humanitarian, then political advantages and gains for democracy will follow close behind.

We have helped millions of people with the Food For Peace Program over the past ten years, but if certain complexities in the program's operation persist we will find that we will actually lose friends and allies in the world, instead of receiving words of thanks as we would like, and as we deserve.

We must make it absolutely clear to the world that our sole aim in operating the Food For Peace Program is to share our abundance, reaped as a democratic nation, with the less fortunate people of the world, with no political strings attached!

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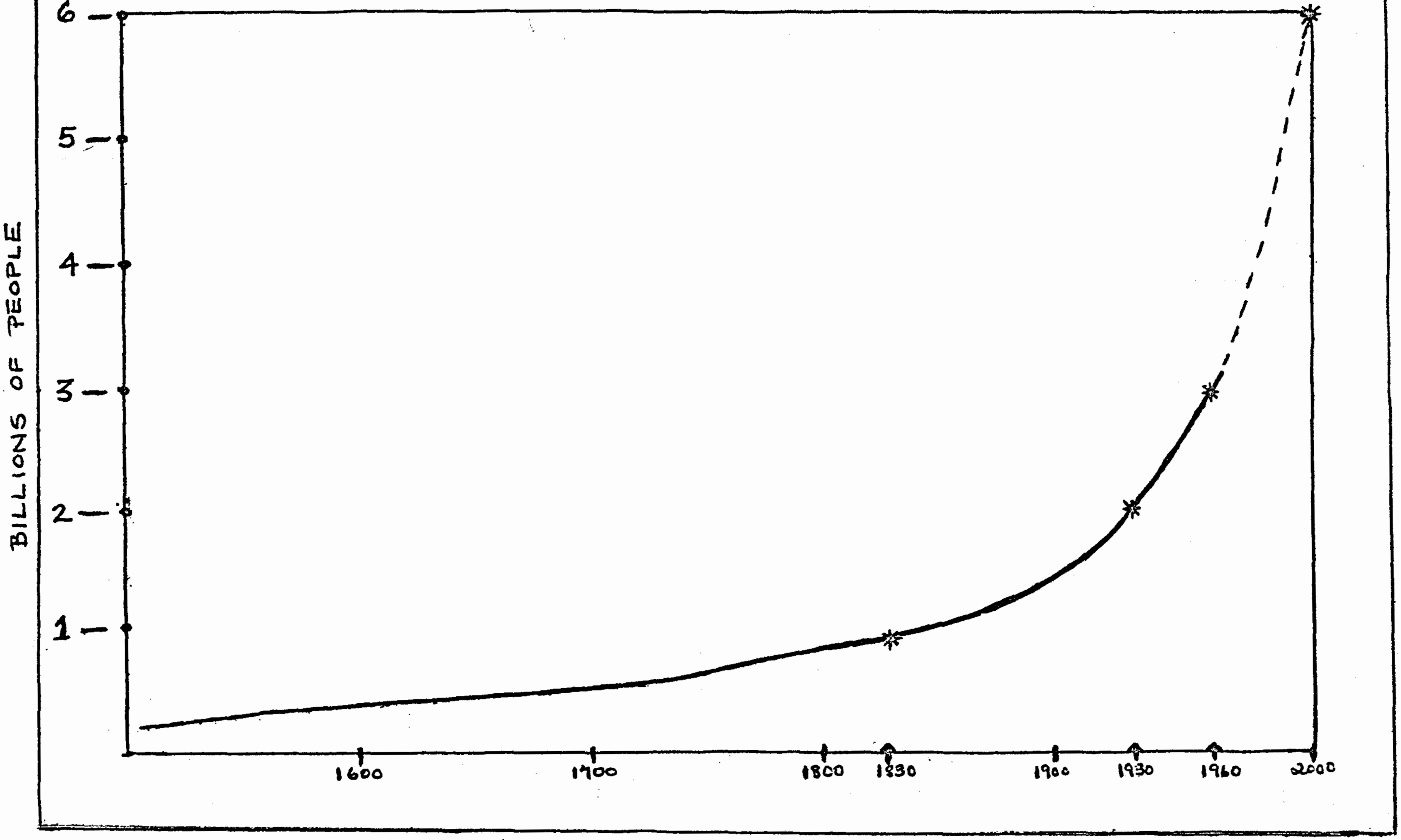
APPENDIX

The chart that follows on the next page illustrates the problem with which the world will be faced in the next few years. The anticipated number of people on earth in years to come will all have to be fed, or an international catastrophe will be experienced. It may be said by future generations that through the efforts of the United States in the Food For Peace Program that while methods were developed to avert such a catastrophe, millions of people were kept alive.

WORLD POPULATION GROWTH PROJECTED TO 2000 A.D.



SOURCE: DR. HORACE J. DAVIS, UNITED STATES DEPARTMENT OF AGRICULTURE